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6 August 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

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STROUGAL COMMENTS ON CEMA SUMMIT CONFERENCE IN MOSCOW

AU061340 Bratislava PRAVDA in Slovak 5 Jul 84 p 3

[Article by CSSR Premier Lubomir Strougal: "Coordination of Economic Policy-- A qualitatively New Form of Cooperation; On the Results of the CEMA Economic Summit Conference"]

[Text] The results of the CEMA states' summit conference in Moscow, which dealt with economic issues, remain a subject of our public's very lively interest. The reasons for this interest are obvious. For quite a long time it was known that the conference would have something important and binding to say on the most important issues of the development of the socialist economic integration, on intensifying the CEMA member-countries' economic cooperation, and on coordinating their approach to securing the key targets and tasks set by the fraternal parties for the next 10-15 years.

The attention that was, and still is, devoted to these issues by our people stems from the recognition that our further economic development and, above all, the transition of the national economy to the path of intensive development are unthinkable without its growing involvement in the international division of labor. Vitally essential and decisive for us in this respect is our increasingly intensive and effective participation in the socialist economic integration. One can say that, from this viewpoint, the conclusions of the conference represent an adequate answer to these needs and that is why our public has received them with full satisfaction. This is also expressed in the statement of the CPCZ Central Committee Presidium and the Federal Government.

This general approval does not, however, express only our national interest in the narrow sense of the word. It also expresses an awareness of togetherness with the entire socialist community, an awareness that the deeper and closer our mutual cooperation becomes and the greater and more efficient becomes the economic and scientific-technical potential of the community, the more favorable conditions will also exist for the further development of individual CEMA member-states.

Bourgeois propaganda, too, had its problems in connection with this conference. At the time it was being prepared, it was staking everything on emphasizing specific national features of individual socialist states and the alleged incompatibility of their interests. It sought to "discover" differences between

them and voiced in this connection all kinds of speculations, which--naturally--could not come off. When the results of the Moscow conference were finally published and there was no such sensation, they have as a minimum been trying to belittle the conference and to minimize its importance.

Of course, this is their own affair. We--and, together with us, many prudent people in the West--know that the targets and tasks constituting the content of the adopted documents represent an important milestone in the development of cooperation among our countries and initiate a new, higher stage of this cooperation. They are an effective joint platform for the further successful development of individual national economies and, hence, the community as a whole and a path toward strengthening the positions of socialism in the world and maintaining peace.

What circumstances prompted the communist and workers parties of the fraternal countries to convene the conference and to reach the adopted conclusions? First of all, it was the fact that at the turn of the seventies there was a change in the internal and external conditions of economic development and a new situation thus emerged also in cooperation among CEMA countries.

Switching the economies of the countries of the socialist community onto a qualitatively new regime of expanded socialist reproduction--based on substantially raising the role of the intensive factors of economic growth, accelerating and expanding the application of the findings of contemporary science and technology in production, and on markedly reinforcing the social orientation of production--has become the determining condition of further economic progress for virtually all of them. The transition of the economy to the path of a predominantly intensive development is the demand of today. Only in this way, by substantially raising labor productivity and using resources more effectively, will it be possible to ensure high economic growth rates and a perpetual growth of living standards.

The need to set about introducing new forms of cooperation, forms corresponding to the new situation, is also accentuated by the overall external conditions, which have become substantially more complicated in the last 10 years or so. I am thinking in particular of the fundamental changes in the world economy, of the deepening general crisis of capitalism and the deterioration of the international situation in general.

It is known that the strain between natural resources and the needs of economic growth increased in the seventies. This led to a fundamental change in the price parities between raw materials and finished products. Aside from this, this change has become a powerful impetus for further scientific-technical development and structural changes. Competition on international markets has become pronouncedly sharper.

At the beginning of the eighties, world capitalism again found itself in a deep and protracted economic crisis, which has resulted in declining international trade, growing protectionism, deepened differences between advanced capitalist states and the developing countries, exacerbated indebtedness of developing countries, and in the escalation of other so-called global problems facing mankind.

In the development of state monopoly capitalism, its extreme reactionary direction began to gain the upper hand at the turn of the seventies. In its political superstructure, this direction is being realized in the form of the most extreme right-wing, militaristic orientated forces of the monopoly bourgeoisie. The basis of this is the growing influence of the military-industrial complex and international monopolies and the endeavor to achieve military supremacy over socialism and thus regain world domination.

To achieve their goals, these forces have introduced into the practice of economic relations—similarly as in the fifties—embargoes, sanctions, and various other restrictions that they are trying to apply, in particular, against socialist countries.

There is no doubt that this development has a certain impact on the economies of our countries, which are to a lesser or greater extent linked with the non-socialist world through the international division of labor. It is thus natural that the program of further intensification of cooperation among CEMA member-countries is also aimed at minimizing this impact, at ensuring the least vulnerability of their economies.

However, I would like to stress here that in spite of all the attention we are paying to these influences, we by no means overestimate them. We proceed from the fact that the decisive objective factor of deepening socialist integration is the development of production forces in our community and the new possibilities, as well as the new needs, arising from it.

After all, ever since its inception the CEMA community has been the most dynamicaly developing international economic grouping. Whereas gross industrial production in the world at large increased 6 times between 1950 and 1982, in the CEMA countries it increased 13 times. Even if we take the 1976-82 period alone, the average growth rate of industrial production in the CEMA countries was almost double that in advanced capitalist countries. The balanced development of individual national economies also led to considerable progress in the process of equalizing the economic levels of member-countries.

These results are, to a significant degree, accounted for by socialist economic integration. The correctness of the policy aimed at its development has thus been fully confirmed in practice. Between 1970 and 1983, the turnover of the CEMA member-countries' mutual trade increased more than 4 1/2 times on the basis of their all-round economic cooperation. Specialization and production sharing deepened, contributing thus to raising the degree of interlinkage among the member-countries' economies.

A substantial aspect of this progressive development—an aspect that will become even more important in the long run—is the fact that the extent of scientific and technical cooperation has been expanded and that contacts between member-states in the principal directions of scientific and technical development have progressed further. Toward the end of the sixties, 700 research and development organizations were involved in this multilateral cooperation; by now, 3,000 such organizations are involved. Large-scale projects have been effected and important

scientific-technical tasks have been resolved through joint effort. These included the construction of the Soyuz gas pipeline; the Ust-Ilimsk pulp mill; and the Kiyembayevskiy asbestos combine; the realization of the Interkosmos program; the production of a uniform system of electronic computers; and the like. This mutual cooperation established, and continues to establish, permanently favorable conditions for the development of individual economies and is a key factor in mastering the most important tasks of their further advancement.

The CEMA member-countries are, however, aware of certain unused potentials and they have all the necessary prerequisites to tap them. The participants in the conference agreed that it is necessary to concentrate, above all, on coordinating the overall economic policy, which is a qualitatively new form of cooperation and embraces a broad complex of issues. In detailing these tasks, it will be expedient to apply the method of the main element, that is, to focus our efforts on the priority areas of cooperation and on solving basic economic problems.

The key role in carrying out the economic strategy of CEMA member-states will be given to scientific and technical progress. We want mutual cooperation to help us to rapidly put into production economical technologies and top-performance machinery and equipment; to expand automation, robotization, and the use of electronics in the national economy; and to concentrate research and development capacities on such priority matters as increasing the use of chemicals in agriculture, biotechnology, the utilization of waste materials, and the protection of the environment. That is why the representatives of CEMA countries agreed that a comprehensive program will be drawn up on the basis of individual national programs for a period of between 15 and 20 years, which will have as its content a proposal for joint solutions to the fundamental problems of scientific-technical development.

Our community has at its disposal an extensive scientific-technical potential, a broad production base, mature cadres, and the necessary raw material base. We intend to make full use of these potentials. That is why it is essential, on the basis of coordination of investments, to speedily allocate resources for the decisive directions of technical and technological development. That is the only way to increase labor productivity and to achieve savings of resources and the necessary quality of products.

We regard the coordination of national economic plans as the principal instrument of coordinating economic policy. In this connection I would like to emphasize that the conclusions of the conference place great demands on improving the quality of cooperation in the area of planning. There is, for example, an endeavor to deepen the target-programmatic approach, to extend the horizons of economic plans, to harmonize economic and scientific-technical cooperation, and to bring about greater discipline in fulfilling agreed commitments.

The pertinent conclusions of the conference must be speedily ensured within the framework of the current work on coordinating the national economic plans for the years 1986-90 and the subsequent period in order to improve the existing economic linkages between individual member states. It will be necessary, above all, to agree upon the main directions of the individual states' specialization within the international socialist division of labor and upon the basic proportions and structure of mutual trade and to specify the details of production sharing.

Intersector exchange will undoubtedly maintain its important role in the mutual exchange of goods but the conditions under which it will be effected will change. The continuation of deliveries of raw materials and energy from the Soviet Union presupposes the creation in the interested countries of such conditions in the area of investments, reconstruction, and rationalization of industry as are necessary to meet, in turn, the needs of the USSR. This concerns, above all, foodstuffs, industrial consumer goods, as well as some types of construction materials, machinery, and equipment. It is self-evident that top standards and quality are demanded of these products.

The center of gravity of the dynamism of mutual trade will be shifted gradually in the coming period into intrasector exchange. More intensive cooperation in manufacturing and science and technology, specialization in the production of components and clusters of components, and the development of direct relations in general is planned, especially in engineering. The setting up of joint enterprises should be a promising and very beneficial form [of cooperation]. However, this understandably presupposes the creation of adequate material, organizations, as well as system-related conditions.

It is natural that the realization of a joint economic strategy and the attainment of further progress in economic cooperation and in the international socialist division of labor in general also requires us to increase the effectiveness of the mechanism of this cooperation. The CEMA member-countries proceed from the realization that, aside from deepening cooperation in the area of planning, it will be equally important to continue to make active use of money-market relations. This will now involve, above all, placing the formation of specific prices in mutual trade on an objective basis and the perfecting of currency and credit relations.

Also assessed were questions connected with bringing closer together the structures of the member-states' economic mechanisms in spheres that are of principal importance for mutual exchange. The development of direct relations requires, for example, appropriate adjustments in the national systems of planning and management, for example as regards the granting of the necessary authority to organizations and enterprises or the creation of corresponding economic pressure and incentives.

The development of mutually advantageous trade, economic, and scientific-technical relations within the CEMA framework represents a firm and long-term basis of our participation in the international division of labor. In view of its plan-based character, long-term nature, and mutual advantage, economic cooperation with CEMA member-countries is irreplaceable for us. It represents a basic certainty and a firm source of our economy's development and is an important factor of its stability.

What matters is not only that Czechoslovakia, like every country of similar economic size, has a relatively greater need to take part in the international division of labor. Without economic cooperation with other socialist countries, especially without our participation in economic integration, we would not be at all able to come to terms with the broad and exacting set of tasks that we must fulfill in the process of switching our economy onto the path of a predominantly intensive development.

In assessing our results to date from this viewpoint, we can say that we have achieved significant progress. Our trade turnover with the CEMA countries increased in the 1980-83 period more than 40 percent. In 1983 these countries accounted for 72 percent of the total Czechoslovak foreign trade turnover, compared with 65.5 percent in 1980. Our participation in international specialization and production sharing is developing well. The share of these products in total Czechoslovak exports to CEMA countries increased from about 21 percent in 1980 to 29 percent in 1983. Of particular importance is the fact that the key position of the USSR in our foreign trade has further strengthened. This is borne out by its share in the total turnover of our foreign trade, which increased from roughly 36 percent in 1980 to 44 percent in 1983.

In the first 3 years of the Seventh 5-Year Plan we have thus achieved further progress in involving our country in the international socialist division of labor. Aside from this, we have also made headway in effecting structural changes, speeding up scientific-technical development, and reducing our debt in freely convertible currencies.

All this led to a number of positive economic results, especially last year, results that have surpassed our original expectations. This has also made it possible for us to make the plan for 1984 more progressive--that is, to lay down the task of achieving a growth rate of at least 3 percent in the national income.

Naturally, our economic development is not free of problems. The resolution of the 10th CPCZ Central Committee Session stresses that transition to the path of intensive development requires increased effectiveness, technological and economic standards, and quality of products. The realization of these targets cannot be effected without bringing about further structural changes, improving management, and expanding our participation in the international socialist division of labor. That is why we are so profoundly interested in seeing the principles and conclusions of the CEMA economic summit conference speedily detailed in the form of specific measures and in seeing these measures consistently implemented.

What matters is not only our active work in CEMA bodies and the ensuring of adopted commitments. The implementation of the long-term joint economic strategy of CEMA countries requires us to clarify, within the framework of the drafting of the Eighth 5-Year Plan and the basic directions of the economic and social development of the CSSR for 1986-1995 and in keeping with our potentials, the optimal outlines [profil] of our economy's involvement in CEMA integration. This will enable us to approach very concretely and with the necessary initiative the coordination of the CEMA countries' national economic plans for the years 1986-90, the coordination of long-term plans, and the discussion of bilateral cooperation.

We must also pay greater attention to the problems of management, not only because of our internal needs. It is in our interest that the improvement of the system of management in the Czechoslovak national economy should proceed in harmony with measures for improving the international mechanism of cooperation and that it should consider the need to bring the basic structures of national economic mechanisms closer together. Our system of management should promote more effectively than so far a climate that favors integration as well as a mode of thinking among leading economic personnel and the work collectives that is favorably inclined to integration.

The current political and economic situation in the world also occupied the center of attention of the highest representatives of CEMA member-states in Moscow. The declaration "Preservation of Peace and International Economic Cooperation" unequivocally shows how the participants in the conference evaluate the chief problems of our planet, where they see the reasons for the aggravation of international tension, and what they regard as ways to securing peace and improving international relations.

The aggressiveness of imperialism, especially U.S. imperialism, has become a real threat to the nations of all continents. This threat is manifested, among other things, in the escalation of armaments, in the endeavor to achieve military supremacy over the socialist states, and in the generation of conflicts and crisis situations in various parts of the world. The imperialist states are misusing international trade and economic cooperation to further their military and political aims.

The Moscow conference unequivocally condemned such practices. It stressed, among other things, that the course of action of the imperialist states complicates and impairs the solution of such global issues as the food problem, the problem of a rational use of fuels and raw materials, the problem of a peaceful use of outer space and world oceans, and the problem of preserving the environment.

The conference once again and unequivocally stressed that standing against the aggressive line of imperialism is the coordinated policy of the socialist countries, a policy of peace and cooperation that is bringing positive results and winning more and more allies in the antiwar movement, in the Nonaligned Movement, and among the progressive public in the capitalist states because it is commensurate with the most vital interests of nations.

Our collective experiences confirm that one must not yield to the imperialist forces. For this reason the preservation of peace is contingent not only on the political unity and the weight of the socialist countries, but also on their economic strength and on the reinforcement of their defense capabilities. The economic successes of these countries and the strengthening of their unity and mutual cooperation significantly reinforce peaceful developments in the world. The application of the principles of socialist internationalism among our states and their equal and mutually beneficial contacts with other countries have created international relations of a new type that are immensely attractive, especially for the developing countries. Our fraternal states are thus effectively contributing to rebuilding international economic relations on a just and democratic basis, which is the demand of a steadily growing number of states.

The fact that the CEMA member-states want to further intensify mutual cooperation and make it more effective does not alter in any way their interest and will to cultivate economic relations with all other countries on the basis of equality, mutual benefit, and noninterference in internal affairs irrespective of their social and state system. They will continue to expand mutually advantageous cooperation with developing countries with the aim of strengthening their independence of imperialist centers, but they are also prepared to develop mutually advantageous trade, economic, and scientific-technical relations with leading capitalist states.

FUTURE STRATEGIES OF EAST-WEST TRADE DISCUSSED

Bonn DIE WELT in German 18 Jun 84 p 9

[Article by H.-J. Mahnke: "Overcoming Stagnation in Eastern Trade Through New Forms of Cooperation"]

[Text] New forms of trade and cooperation will make it possible to overcome East-West trade stagnation in the second half of this century, Otto Wolff von Amerongen, president of the Federation of Chambers of German Industry and Commerce (DIHT), believes. But he thinks growth rates like those of the 1970s will not be achievable.

However, increased specialization, intensified economic relations require a favorable political environment to benefit both sides, Wolff said at the 28th Congress of the International Chamber of Commerce in Stockholm. Although for the past 25 years, the economic relations between the CEMA countries and the Western industrial nations were the most stable ones of all relations, they are in danger of being damaged by the currently chilled political climate.

Wolff underlined the differences in the development of trade with the USSR, on the one hand, and the smaller CEMA countries, on the other. The Western share of the foreign trade of the smaller CEMA nations has declined, he noted. In 1982, the 22 percent share was below the comparative value for 1970. Wolff believes this is an indication that the CEMA countries have not been able to maintain the competitiveness of their export industries in world markets. They lost a share to the developing nations, he said.

Nevertheless, Soviet trade policies toward the West have not been determined by the rigid dictates of acute balance of payments problems, he continued. As an exporter of crude oil and natural gas, the USSR has benefited from the rise in energy prices. This is why it has been able to achieve a significantly larger increase in its imports, in real terms, from the West than in its exports to the West. The USSR is the only CEMA country that managed not only to maintain its imports from the OECD countries but to expand them by 4.2 percent. The USSR is now importing more goods from OECD countries than all other CEMA states combined. He doesn't think this will change in the coming years because of the ambitious growth targets of the USSR.

Wolff believes that energy development and cooperation in the agro industry provide the greatest opportunities for Western cooperation with the USSR. The West has a clear interest in avoiding energy supply shortages in world markets. "Therefore, basically, the West cannot adopt a negative attitude toward East-West cooperation in the development of energy because its own interests and its joint responsibility for the countries of the Third World." But the very fact that energy cooperation is capital intensive requires a favorable East-West climate, he observed.

The smaller CEMA countries, he said, must continue for some time to come with their balance-of-payments-oriented trade policies toward the West, although signs of some success in their stabilization efforts are in evidence. Against this background, the West should "seriously consider a cautious resumption of lending to some East European countries." Of course, new credits would be limited in size and chiefly tied to specific projects.

Wolff hopes intensified specialization within CEMA will, in the long run, lead to improved quality and a higher technological level. This could improve sales opportunities in Western markets. A larger selection of higher-quality finished products is an important prerequisite for more imports from CEMA countries, he noted.

Barter transactions would continue to be one of the tools of East-West trade in the future. Wolff believes that Western industry will, therefore, have to accept those requirements. "Barter trade can be a substitute in the short run; however, it should never be made--as it happens only too often--a prerequisite for business," Wolff warned.

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FINAL FEDERAL BUDGET FOR 1984 APPROVED

Prague RUDE PRAVO in Czech 20 Jun 84 pp 1, 2

[Article by RUDE PRAVO correspondent: "Balanced Budget Management--From the 13th Joint Session of the Parliaments of the Federal Assembly"]

[Excerpts] The Federal Assembly of the CSSR meets every year at this time to review the results of the budget management in the previous year. Therefore, on the agenda of the 13th joint session of our supreme legislative body was the final state accounting for 1983. Alois Indra, member of the Presidium of the CPCZ Central Committee and chairman of the Federal Assembly of the CSSR, greeted at the session the general secretary of the CPCZ Central Committee and the president of the CSSR, Gustav Husak; the premier of the federal government, Lubomir Strougal; other members of the Presidium of the CPCZ Central Committee: Vasil Bilak, Peter Colotka, Karel Hoffmann, Milos Jakes, Josef Kempny, Josef Korcak and Jozef Lenart; candidates of the Presidium of the CPCZ Central Committee: Jan Fojtik, Josef Haman and Miloslav Hruskovic; CPCZ Central Committee secretaries Josef Havlin and Jindrich Polednik; member of the Secretariat of the CPCZ Central Committee Marie Kabrhelova; and the chairman of the UKRK [Central Control and Auditing Commission] of the CPCZ, Haroslav Hajn. In addition, deputy chairmen and ministers of the federal government, representatives of political parties and public organizations of the National Front and other guests were present.

The final state accounting by the Czechoslovak federation for 1983 evidenced incomes amounting to Kcs 171,724,592,000 and expenditures amounting to Kcs 17,683,609,000; thus, the surplus is Kcs 40.983 million, which will be used to add to our state financial reserves.

Total results of the fulfillment of the CSSR state budgets according to the state budgets of the Czechoslovak federation, the CSR and the SSR show total incomes for 1983 in the amount of Kcs 277,235,379,000 and total expenditures of Kcs 277,141,566,000, i.e., the total surplus of management is equal to Kcs 93.813 million. The management of national committees ended last year with a surplus.

Federal Minister of Finances Leopold Ler explained the government proposal for the decree on final accounting of the Czechoslovak federation for 1983 (excerpt published on p 2).

Deputy Pavol Urban, speaking as joint reporter of the committees of the Chamber of People, said, among other things, that the committees were gratified by the growth of technical creativity of the workers in research, construction, planning and production. As compared with 1982, almost 4 percent more new technical designs had been created, which was linked with improved technical standards of products and the technology of their production; along with other proposals for improvement, they represent social profits of Kcs 11.3 billion. However, the reporter underscored the fact that although the principles of counterplanning and, consequently, the adopted higher tasks and increased wages payable may have been accepted in our economic praxis, they were based only on minor organizational-technical and operational measures and less on the achievements of technical creativity and technical progress in general. The report criticized the disadvantageous development of the situation of new, excessive inventories due, among other things, to the inferior quality and low technical standards of some goods that failed to attract any interest. The committees adopted the same attitude toward the slow liquidation of superfluous stocks.

The reporter recommended that the Chamber of People approve the submitted government proposal. The same motion was made to the Chamber of Nations by the joint reporter of its committees, Deputy Jaroslav Brabec, who pointed out the issues to which the committees had referred the most while reviewing the conclusion of the final state accounting, for example, the fact that the acceleration of the dynamism of outputs had not yet been appropriately supported by desirable structural changes of the production and by the contribution of R&D. The necessary balance of the planned creation of resources in the industrial area and the demands on the method of their efficient exploitation had still not been fully achieved. Part of the enterprises failed to come to grips with their assigned tasks, the consequences of which unfavorably affected the harmony in supplier-consumer relations, the balance of the production and deliveries to the market. The report emphasized the difficulties in construction production and capital investment. Jaroslav Brabec stressed the key issue, namely, that even despite the above-mentioned realities the state budget had been implemented.

From the Discussion of the Deputies

The application of R&D in the machine engineering industry served as the topic of the contribution by Deputy Jaroslav Adamik (SN /Chamber of Nations/) who emphasized that in the interest of our economy not only the final manufacturers but also the subcontractors, particularly the suppliers of metallurgical materials and of engineering and electronic units and parts, must now begin with the procurement and introduction of the new achievements of technological progress. Jaroslav Adamik asked the vice premier of the CSSR Government and chairman of the SPK /State Planning Commission/, Svatopluk Potac, what measures were under way to counteract expeditiously our lag in the recycling of secondary raw materials.

Deputy Hana Tenglerova (SL /Chamber of People/) underscored the encouraging fact that the plan had been fulfilled during the year in a more balanced way; however, at the same time she noted that not every ministry, and much less so every enterprise and organization, had shared to the same degree in these positive results in all observed indicators. She also discussed the fulfillment of the deliveries of certain types of goods for our domestic market, which were still inadequate. The reaction to the needs of the market had not become prompter. She asked the federal minister of general engineering, Pavol Bahyl, and the minister of electrical engineering of the CSSR, Milan Kubat, about the progress in expanding the application of electronics in the production of industrial consumer goods.

Deputy Viktor Sidor (SL) reported that last year our agriculturists statewide had produced more than 11 million tons of grain crops. Nevertheless, there still were considerable underutilized opportunities--among them the creation of integrated research and production facilities which would help introduce more expeditiously the achievements of R&D into agricultural practice.

Deputy Stanislav Charvat (SN) was gratified that nearly Kcs 81 billion had been spent for social security, including roughly Kcs 50 billion for pensions. He noted that in comparison with 1982 all basic items included in public consumption which appear in the sum of final accounting had increased. Moreover, he focused on the necessity of raising material incentives to motivate our working people for economic achievements on a continuous basis.

Deputy Alena Grygarova (SL) said that our cultural policy encompassed not only the range of artistic and social programs of organizations, individuals and establishments, but also the greatest possible exploitation of the created cultural values. One cannot be satisfied, for instance, with the stagnating attendance of the cinema, concerts and exhibits.

Deputy Dobromila Vavrova (SL) discussed supplier-consumer relations and their effect on the fulfillment of planned deliveries for domestic and foreign markets. She stressed that certain shortcomings in the fulfillment of contractual agreements were shrewdly concealed behind successful achievement of the global indicators. Thus, our enterprises may not take seriously, for instance, compliance with the line of products; for example, in the North Bohemia Kraj only 7 of 35 engineering enterprises scored 100 percent in their fulfillment of the line of goods.

Deputy Vladimir Bacik (SN), who was the last to speak in the discussion, focused on Czechoslovak foreign policy, stressing that our people supported it without any reservation because it fully expressed their desires and attitudes.

Replies to Questions

After the conclusion of the discussion the representatives of the CSSR Government answered the questions posed by the deputies.

Comrade Svatopluk Potac described the most significant measures taken by the government in order to expand the collection and recycling of secondary raw

materials. Some of those measures have already produced good results--for example, as compared with 1980, the collection of plastics was up 10 percent, of rubber 47 percent, of broken glass 74 percent, and so on. On the other hand, there was a lack of processing facilities and appropriate technology, and thus we had to export some of our secondary raw materials. A very good outlook existed for the reclamation of silver from used fixatives, of lead from automobile batteries and of other precious metals from the so-called depreciation waste. It was envisaged that in the Eighth 5-Year Plan the state goal-oriented program would include the whole area of collecting and recycling of secondary raw materials.

Comrade Milan Kubat called attention to the fact that 60 of 70 enterprises of his ministry were participating in the production of consumer goods. This year, for instance, they are to deliver to our market 145,000 color television tube models and 4,000 portable TV sets, the first 200 videorecorders, more than 150,000 radio sets of various types, 380,000 pocket calculators, 127.5 million batteries and monocells, etc. Our enterprises are now concentrating on the application of microprocessor and digital technology in consumer goods. Work on laser audio- and videotaping continued. At the center of attention remained the effort to upgrade quality and reliability in order to make it possible to extend the term of warranty of electronic consumer goods to 1 year.

Adding to the reply of Minister Kubat, Comrade Pavol Bahyl quoted examples of applied electronics in additional products--for instance, new refrigerators and freezers, washing machines, thermostatic valves--and in the planned model of Skoda passenger automobile.

In his concluding word the minister of finances of the CSSR, Leopold Ler, declared that this year and in the future the efforts made by the CSSR Government and all ministries would aim at the most comprehensive and efficient application of the budget funds for the all-around development of our society. He noted with satisfaction that in the discussion the deputies had stressed the need of further improvement of our economy in every area, which also is in agreement with the objectives of our government. He assured the Federal Assembly that in their programs our government and ministries would avail themselves of all proposals made by the deputies, which would help them implement the decisions of the 8th and 10th plenums of the CPCZ Central Committee.

Next, the deputies adopted the decisions by which the CSSR Federal Assembly approved the final state audit of the Czechoslovak federation for 1983.

Excerpts from the Report by CSSR Minister of Finances Leopold Ler

In 1983 our financial policy was focused on accelerating the dynamism in the creation of financial resources based on more efficient application of the factors of production, on the consolidation of good stewardship and on expanding the assets in individual sectors of our economy. Thus, this provided one of the important prerequisites for the further development of our economy and living standard. By the same token, the incomes and expenditures of our whole budgetary system were balanced; that helped enhance the overall financial balance of our economy, which is one of the basic tasks of our financial policy in the Seventh 5-Year Plan.

Our budgetary economy was successfully balanced although, due to a number of external and internal factors, the financial development had deviated from the planned structure of incomes and expenditures.

Among the positive aspects is above all the overfulfilment of planned profits of our economic organizations, which was favorably reflected in the overrun of the payments to the state budget. Moreover, supplemental resources of national committees played an important role, especially in financing budgetary expenditures for the benefit of our population, in the sectors of education, health care, environment, services, and so forth.

On the other hand, the nonfulfillment of the plan for sales tax and the deteriorating relations of the export and import prices were unfavorably reflected in our budget resources. The nonfulfillment of the expenditures planned for investments in the budgetary area and of expenditures for R&D was an undesirable factor.

For that reason, when reviewing the positive results of our budgetary economy, we must consider that they had been affected not only by the positive factors but also by undesirable deviations from our planned objectives. In general, however, we regard the results of our budgetary economy for 1983 as a contribution to the fulfillment of the tasks stipulated for the Seventh 5-Year Plan.

Total incomes of all state budgets (i.e., the state budgets of the Czechoslovak federation, of the CSR and of the SSR) and of the budgets of national committees last year amounted to Kcs 324.1 billion, which was 2.8 percent above plan. Budgetary expenditures also exceeded the plan. In its totality, our budget economy was balanced.

The integrating and coordinating function of the state budget of the Czechoslovak federation continued to be applied in our budgetary system. The income of the state budget of the Czechoslovak federation, which amounted to Kcs 171.7 billion, shared 61.9 percent in total incomes of all three state budgets. The subsidies to the budgets of the republics amounted to a total of Kcs 115 billion and the amount of their grant guaranteed an economic balance of those budgets.

The incomes of the budgets of national committees amounted in 1983 to Kcs 110.4 billion, i.e., 5.6 percent above plan, and the expenditures to Kcs 110.3 billion. Unplanned supplemental incomes of national committees amounting to a total of Kcs 1.7 billion were transferred in the course of the year directly to capital reserves and funds for the development of national committees.

Part of the overrun in the planned volume of the budgets of national committees was connected with higher exploitation of supplemental assets, especially for Action Z and for the consolidation of noninvestment expenditures for public needs. Our national committees spent a total of Kcs 3.2 billion for Action Z as a very efficient mechanism for the fulfillment of tasks stemming from our election programs; the works created in the investment sector are valued at a total of Kcs 3.8 billion. Thus, for example, 860 places in day-care centers, 13,091 places in nursery schools, 4,062 places in elementary schools, 2,345 places in school dining facilities, 670 km of watermain lines, and 159 km of sewer lines have been added.

Advantageous Growth of Profits

The rapid dynamism in the creation of internal financial resources was affected in particular by the growth of profits derived from our domestic economy, which was up almost 13 percent over 1982.

The factor determining the favorable results in profitmaking was the high intensity of the reduction of material costs and the renewed dynamism of our national economy with positive effects on relative savings of costs. The programs of our party and state agencies aimed at conservation of fuels and energy and other material costs, and the action of our working people and trade-union, youth and other organizations of the National Front contributed to that achievement. Furthermore, consistent implementation of the Set of Measures, narrowly linking the development of wages payable with savings of materials, played its role in motivating organizations to cut costs and raise profits.

The reduction of costs represented about 75 percent of the share in higher profits of our domestic economy, which is more than in the Sixth 5-Year Plan, when that share amounted to 50 percent. As compared with the first years of the Seventh 5-Year Plan, however, we must note that the achieved cut of material costs has followed a descending trend due to gradual exhaustion of the more readily accessible reserves, and by the same token reflects the need to increase efficiency and thus to raise profits to a greater extent by measures utilizing the untapped assets in the areas of R&D, investment and foreign economic relations.

As compared with the preceding year, overall costs relatively declined by 0.82 percent. This decline means a savings of Kcs 8.7 billion for our national economy.

Due to a favorable development of costs and profits the results for 1983 were better, even in all indicators of profitability, than the plan had stipulated. Returns on costs which in 1983 amounted to 10.4 percent were 0.59 points above plan; returns on operating assets amounted to 5.4 percent and were 0.51 points above plan.

While the evaluation of this development of costs and profits from our domestic economy may be very positive, we cannot give good marks to the development of external efficiency, in other words, the contribution of foreign trade to our society. The relations of import and export prices last year again continued to develop to our disadvantage and devoured a major part of the increase in profits.

Last year we spent Kcs 17 billion for financing noninvestment costs of R&D, of which Kcs 7.3 billion were underwritten by the state budget. This amount of total expenditures for R&D may be relatively compared with the expenditures of countries with advanced economies for the same purpose.

Nevertheless, we must strive to reap greater benefits from such enormous funds. To a major degree extensive approaches are prevalent in the process of management

and decisionmaking, and the capacity of R&D institutes remains diffused among a great many tasks. The current system of management is still not able enough to generate effective pressures, literally, a craving for and, in fact, existential interest in the innovation of production and of production programs, improvement of quality, and thus in achieving highly efficient production and export.

It is therefore imperative to continue more vigorously the change of the interdepartmental and interbranch structure of production and to adapt the technical-economic standard of our products more flexibly to current demands of world markets and to our domestic needs. When taking stock of our accomplishments we cannot stick to our current and domestic criteria; we must measure ourselves by world criteria.

The application of technical progress in practice and the modernization of our production and technology according to the latest achievements depend to a considerable degree on capital investment and its focus, and on the choice of programs that produce the greatest effect in the shortest time.

Last year the volume of investment programs and deliveries was up 2.6 percent. After a reduction of the volume of capital investment at the beginning of this 5-year plan, therefore, it rose again, although the plan had projected a downtrend.

First of All, To Concentrate on Efficiency

As in other areas of the economy, even in investments we cannot be concerned about qualitative criteria alone. Above all, the growth of efficiency and of the whole process of replacement of fixed assets, where numerous problems and shortcomings still exist, is of decisive importance. Investors often waste too much energy in their competition for investments with which to fulfill their tasks, although they should apply the same energy in the struggle to achieve the warranted technical economic parameters of their tasks. Nevertheless, analyses have shown that in many instances the actually achieved contributions of new investments were distinctly below the pledge, which for the whole economy means shortfalls in billions [of Kcs] in production and exports, and thus also shortfalls in profits. In this respect responsibility must be raised in the whole investment process--planning, implementation and utilization of investments.

In accordance with the objectives of the Set of Measures, the share of investments financed from the internal resources of organizations and V&E's [economic production units] has increased. While in 1980 45.7 percent of the investments were financed from internal resources, in 1983 that share was up to 52.2 percent. Thus, investment operations were determined to a greater extent by the creation of internal resources of organizations. We regard promotion of such a linkage as an important direction in the intensification of the *khoshrashchet* economic principles.

We still have vast unutilized assets in our management with inventories. Not counting the uninvoiced work and deliveries, by the end of 1983 they amounted to Kcs 372 billion and were 2.8 percent higher than at the beginning of this year.

Our government is focusing particular attention on the area of inventories and has adopted in past years several measures to improve their utilization. In particular, measures were adopted to include the indicator of stock utilization among indicators determining the grant of annual rewards; measures are being taken to improve the standardization of inventories; penalties for overruns of the planned volume of stocks were made more rigorous, etc.

The impact of those measures began to appear last year especially in our industry and construction. After several years of slowing down, last year the turnover of stocks in those branches was accelerated by 2 days, yet the task of the plan fell short of fulfillment. For this year our government adopted the task of strengthening the development of stockpiles by Kcs 5 billion.

The planned revenues from the sales tax, which is the major source of the state budget, amounting to Kcs 1.8 billion, were not garnered last year, although planned deliveries of goods for our domestic market were exceeded. In terms of taxes, therefore, the structure of deliveries was less profitable than planned. The problem with the decline in revenues from the tax also underscores the need to render price control more rigorous; in particular, efforts to raise whole prices of new products without corresponding improvement of their utility values must be prevented.

In summary, it may be said that the adaptation of our economy to new, constantly changing conditions imposes on every link of the management chain enormous demands for flexible reaction to such changes and for dynamism and dedication in the fulfillment of specific daily tasks. Our foremost task is to concentrate on those sectors which are still unable to utilize our economic potential fully and efficiently.

Effect of the Set of Measures

We combine the accounting for the achievements in the 3rd year of this 5-year plan with an evaluation of the 3-year effect of the Set of Measures for Improving the Planned Management System of National Economy.

Our experience thus far has demonstrated that its principles agree with the demands for an intensified economy. Their application within the organizational and managing operations of the Communist Party and the state is gradually changing in the positive sense our people's approaches to the solution of tasks in terms of efficiency and quality and to meeting our society's needs.

Nonetheless, the new measures have not been consistently implemented and the opportunities stemming from the Set have not been fully exploited. Thus far our economic organizations have not been more emphatically compelled to apply the more scrupulous factors of long-term efficiency based on the application of R&D, on more intensive exploitation of operating assets, more efficient investments and more profitable foreign trade. We may note only partial improvement in those areas.

For that reason we began to initiate experiments and test some new factors of management. To improve the efficiency of exports in our economy, new forms of

economic and organizational interrelations of production and foreign trade are now being tested; the introduced investment fund and object invoicing should encourage more efficient investing; some partial measures, already in line with the decisions of the Eighth Plenum of the CPCZ Central Committee, are aimed at intensified economic relations in the "research-production-consumption" cycle, and the second stage of upgrading the economic efficiency of the wage system has been prepared.

Analyses of economic programs of organizations and the whole system of evaluation of their achievements serve as one of essential control mechanisms.

We may note that approximately 80 percent of our enterprises fulfilled all their tasks and pledges to our society. Measures, including penalties in relation to the extent of the shortfalls in the 20 percent of the enterprises that had failed to meet their tasks, were adopted in order to upgrade the management of those enterprises to the level of our foremost enterprises.

Continuous Intensification of Our Economy

Intensification of good stewardship plays an important role in our efforts to raise the standard of efficiency. The tasks specified in the Program of Good Stewardship, approved by our government in 1981, are gradually being fulfilled. Financial control agencies reviewed their fulfillment in more than 800 organizations.

It may be said that we have succeeded in spending funds more rationally and in cutting costs for official automobile transportation, travel costs, and promotion. Nevertheless, we are far from the opinion that we have succeeded in dealing with every cause of wastefulness. Therefore, our government plans further intensification of our economy for this year and for the Eighth 5-Year Plan and will cut various unprofitable expenditures in the production sphere--here I refer in particular to operational costs. In the nonproduction sphere our focus will be on further rigorous enforcement of efficiency and good stewardship of the expended funds.

We still have enormous untapped resources in the rational exploitation of fuels, energy, materials and work forces. However, that means that we have to seek and look around with open eyes, think, and not pass over any, even minor waste, inferior quality and disorder in the organization of labor. Of course, that is not an easy and often not a popular one, but our society-wide interests must be enforced consistently and without any compromise, even if they lead to partial conflicts with the interests of enterprises, communities or individuals.

During audits we continue to identify many instances of formalistic fulfillment of tasks as well as expressions of unmitigated wastefulness. But why must those matters wait for the arrival of financial officials and auditors? We must demand that internal control systems play a much more dynamic role and that every manager be much more assertive in his approach to the solution of problems concerning economic management.

We must become more responsible stewards of our whole national property. Toward the end of last year the value of capital assets and inventories in our state and cooperative organizations reached Kcs 2,270 billion, which also is a significant achievement of our economic efforts. Care for this property, its systematic protection and its comprehensive, efficient exploitation are among the neverending tasks of our economic policy.

More material and cultural needs of our population were satisfied because of the results achievement in the creation of material and financial resources. Last year the most relevant directives for the 16th CPCZ Congress--to maintain and improve the standard of living attained by our population and its social guarantees--has again been fulfilled. As compared with 1982, personal consumption was up 2 percent and material public consumption up 3.2 percent.

Personal and Public Consumption

The main source of the growth of personal consumption was the cash income of our population, which in comparison with 1982 increased 3.1 percent and amounted to Kcs 393.5 billion. The average wage increased 1.9 percent to Kcs 2,789. Cash incomes of our population were up Kcs 11.2 billion and amounted to Kcs 377.4 billion. the increase of Kcs 16.1 billion in savings deposits and cash on hand amounted to 4.1 percent of the incomes of the population, i.e., it remained at the level of 1982.

In this context it should be noted that despite the generally positive trend in the development of retail sales and of the situation in our domestic market, problems in goods selection, mainly industrial, persist and deliveries of lines of goods in short supply have not been increased to a desirable extent, nor have the processes of innovation been accelerated and the stockpiles of unsalable goods reduced. The above-mentioned facts are then negatively reflected in the development of the sales tax.

The expenditures for public services and programs for our population funded from the state budgets and from the budgets of national committees are important factors contributing to the growth of our living standard and better environment. These costs ensure in particular the tasks in the sector of social and cultural policies, especially in education, health services, social security, culture, physical education and sports and in the area of comprehensive housing construction.

The overwhelming share of the expenditures for public services and programs for our population is realized by means of the budgets of national committees which, in accordance with their authority, provide the initiative and also use their own supplemental resources to speed up continuous satisfaction of the needs in the nonproduction sphere according to local conditions.

Total noninvestment expenditures for public services and programs for our populations from state budgets and from the budgets of national committees amounted in 1983 to Kcs 147.8 billion, which in comparable conditions represents a 2.9 percent increase over 1982.

Expenditures for Social Security

Noninvestment expenditures for social security in 1983 amounted to Kcs 80.8 billion and increased by 3.7 percent. The highest increase in those costs pertained to pension benefits, which were up Kcs 1.8 billion over 1982 and amounted to Kcs 49.4 billion. At the end of 1983, 3.922 million pensions had been paid, with average pension amounting to Kcs 1,282.

In expenditures for medical insurance the steepest rise over 1982 in the total amount of Kcs 26 billion was noted in the costs of medical services (6.6 percent), due to the high average incidence of work disability. On the other hand, children's benefits and other expenditures from the state budget promoting the population growth have increased very slightly because of the continuous decline of the birth rate, especially in the CSR. In 1983 those expenditures amounted to Kcs 17.5 billion; social aid to families with children, including additional cash and in-kind forms and various deductions, came to Kcs 36.6 billion.

As compared with 1982, the noninvestment expenditures for the educational system in 1983 were up 2.6 percent and their total amount of Kcs 24.6 billion underscores the material and financial demands of the tasks in that area, above all as a result of better material conditions of our education and of the introduction of new educational and training systems. Higher demands for material expenditures are affected by the elementary-school students born during the baby boom. Another factor of the escalating financial funds is the more expensive operation of modernized facilities. Some of the higher costs in the school system managed by national committees stem from the implementation of government decisions on placing children in open-air schools. In 1983 the costs of open-air schools amounted to Kcs 448 million for all of the CSSR.

In 1983 the noninvestment expenditures for our health system amounted to Kcs 22.9 billion, increasing by 4.2 percent over 1982. In agreement with the decision of the 16th CPCZ Congress, this represents an effort to build a material-technical foundation required for better medical service. Agencies of sanitary services which concentrated on the problems of environmental protection and labor safety implemented measures to eliminate viral diseases. District pediatric, gynecological and stomatological clinics were expanded. New hospital complexes were put in operation. For better diagnostics a very important network of joint diagnostic and therapeutic units was organized. A distinctive factor in the growth of costs for health care concerns the funds for pharmaceuticals and special medical supplies, which in 1983 amounted to a total of Kcs 6.2 billion and comparatively increased by 5.8 percent.

The expenditures for culture amounted last year to Kcs 4.7 billion, i.e., 3.4 percent more than in 1982. These expenditures were designated for the operation and expansion of a network of cultural establishments, for funding cultural organizations, for repairs of historic town districts, etc. The maintenance of cultural treasures and landmarks in the sector managed by national committees cost in 1983 Kcs 570 million in the CSR and Kcs 264 million in the SSR.

An important role is played by funds of the state budgets for financing housing construction and housing management. Last year they amounted to Kcs 23.8 billion, exceeding the budget by 1.4 percent. Of that investment the expenditures for housing construction amounted to Kcs 12.5 billion, state subsidies for cooperative housing construction to Kcs 4.3 billion, for individual housing construction to Kcs 0.8 billion, and compensation for the losses sustained by housing management enterprises to Kcs 4.6 billion. In all, more than 95,000 housing units have been completed, of which more than 95,000 housing units have been completed, of which more than 35,000 are for the recruitment and stabilization of work forces.

Increased attention must be focused on environmental problems, mainly in construction and facilities for improving the quality of the air and water in the most polluted locations; those problems concern managing agencies on every level, because their solution calls for a comprehensive and unified approach when using the already existing facilities as well as when making decisions about capital investment and its structure.

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HISTORY, DEVELOPMENT OF LIGNITE INDUSTRY ANALYZED

Deputy Minister Bernstein Interviewed

East Berlin WOCHENPOST in German No 26, 29 Jun 84 pp 4-5

[Interview by T. Wendt]

[Text] Personal data:

Harri Bernstein was born on 25 January 1927 in Luckau, Altenburg Kreis. He is married and has one daughter. 1947-1952 he studied at the Freiberg Mining Academy and later earned his doctorate with a thesis on the operation of overburden transporter bridges. 1967-1971 he was director of the Black Pump Gas Combine. He was appointed deputy to the minister in 1971. Comrade Dr Harri Bernstein is holder of the Fatherland Order of Merit in gold and other major awards.

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The GDR lignite industry in figures:

- 1949 output: 124.9 million tons
- 1983 output: 278 million tons
- Production conditions: To produce 1 ton raw brown coal (RBK) in 1960, it was necessary to move 3.85 cubic meters overburden. This ratio worsened to 1 : 4.4 at the present time.
- In 1949 briquette factories produced 34.7 million tons brown coal briquettes annually; output now is about 50 million tons.
- Strip mining, factories and industrial power plants employed more than 110,000 working people in 1984.
- The value of fixed assets in the coal industry amounts to M26.6 billion. Each production worker is responsible on the average for M250,000 productive fixed assets.
- Qualified college and technical school engineers account for 11.5 percent of the work force.
- In 1983, 3,642 apprentices began vocational training in the schools of the lignite combines, 245 vocational training coupled with the secondary school certificate.

-- 1960-1982 this industry called on around 55,000 hectares area, and another roughly 44,000 hectares were reclaimed and returned to use.

WOCHENPOST: The GDR is the world's foremost lignite producer; lignite is currently our most important primary energy source and a crucial raw material. Why is it so important to us?

Bernstein: At the present time lignite accounts for about 71 percent of the total yield of primary energy, and this percentage is bound to increase. Lignite provides the basis for 82 percent of electricity and 20 percent of gas yields. The supreme importance of lignite for meeting the energy and raw material needs of the GDR was determined for a long time to come, in particular by the resolutions of the Eighth SED Congress. In economic terms its utilization is the most beneficial approach to the satisfaction of the growing needs of the national economy and, at the same time, offsets the rising raw material and energy prices on the world market. The Tenth SED Congress decided on the expansion of a strong energy and raw materials base. Comrade Erich Honecker stated that "the entire national economy will have to gear itself to an unprecedented extent to the direct use of raw brown coal. More than ever is lignite to be used also for heat production and supply, carbon chemistry and gasification,-- to cite only some examples.

WOCHENPOST: Our lignite industry goes back a long way. What was the heritage the lignite miners found after 1945 in the area of the present-day GDR?

Bernstein: We can trace lignite production on our territory through the 19th Century and note that the capitalist development of the brown coal industry also surged at that time. It provided an essential base for industrial conurbations in the regions around Halle, Leipzig and Bitterfeld and the areas around Lauchhammer, Senftenberg and Hoyerswerda. The rapid development of productive forces also affected other industries, for example the suppliers of machinery. Some of the briquette factories built in 1880-1895 are still in production.

Following World War II, however, the situation was not encouraging. I well remember that time, when I began--in January 1946--to work in the Regis Lignite Works. My father, too, was a miner there; we lived in Haselbach, that is in the immediate vicinity of strip mines and briquette factories.

When we resumed coal production--incidentally, at that time some of it still proceeded underground--, we were barely able to cope with the difficulties of starting up again. Available in the Lauchhammer mines were mainly old-fashioned direct current excavators. In the Plessau strip mine obsolete steam engines served digging and overburden removal operations. Much work had to be done manually and was very strenuous. Every day 30-40 percent of the engines were out of service. Hunger was added to the technical defects. The 1946/1947 winter was unusually long and severe. Many factories had to cut back or suspend production due to the lack of coal and fuel. At times industry and the public were left without electricity and gas.

Even at its first economic conference at the turn of 1945/1946, the KPD Central Committee had emphasized the special status of the lignite industry. Led by such eminent comrades and miners as Gustav Sobottka, former director of the main administration coal of the central German administration of the fuel industry, the first plans for coal production were drafted. Despite considerable difficulties, output rose each year. Even in 1946 108.4 million tons were mined, exceeding the production of 1936, the best prewar year. That was due mainly to the selfless efforts of many lignite miners. At that time I, too, worked special shifts for the first time.

Incidentally, in the same year mining wages were raised by 20 percent so as to reduce the tremendous income arrears of miners dating from the capitalist era.

WOCHENPOST: Was it to be foreseen already then that the hard coal deposits in the traditional Zwickau-Oelsnitz district would peter out?

Bernstein: That also was discussed at the first economic conference of the Communist Party. It was an accepted fact that mining would have to be gradually converted from hard coal to lignite production. This necessity arose not only from the decline of our deposits but also from the loss of hard coal supplies from the former Upper Silesia and the Ruhr district. Metallurgy, the glass and ceramics industry and transportation all depended on hard coal. A radical and complex process was begun. To use present-day terms, this was the time when the first substitution was considered and the appropriate measures initiated.

The mid-1950's demonstrated that this energy policy was most appropriate. Due to the imperialist economic war against the socialist countries, even the hard coal and coke imports contracted by the GDR failed to arrive. As we know, the young republic managed to cope with this blockade.

WOCHENPOST: On 21 March 1957, the GDR Council of Ministers enacted the energy program. Counter to Western expectations and interference, the national economy had advanced strongly in a relatively short time. Power plants and a national energy machinery construction industry arose in the wake of this decision. What were the effects on the lignite industry?

Bernstein: In April 1957 a coal and energy conference took place in Leipzig. It drew up a balance sheet of the development of this sector. It was noted that its capacity no longer corresponded to the greater social requirements, and that the rate of development of the coal and energy industry needed to be speeded up. On the basis of the coal-energy program adopted, the GDR machine construction industry quickly supplied many appliances; ten major strip mining appliances in the first 6 months, including four bucket-wheel excavators, three bucket-conveyor excavators, two separators for the overburden and one major belt conveyor system. Enormous efforts were made especially to raise lignite and energy production in the Senftenberg region.

Significant advances were recorded in the field of raw brown coal processing. In 1953 it had been possible for the first time in the GDR--and therefore

in the world--to produce lignite-high temperature coke on a large scale. Subsequently BHT brown coal high temperature coke] production rapidly grew; within 5 years from 1955 it rose to more than 450 percent.

In view of the growing need for city gas, new scientific-technological and practical solutions were needed. This energy source also was to be increasingly produced from lignite. In 1960 hard coal still accounted for 55 percent of city gas production. The shortage of domestic deposits and the cold war forced scientific advances to be achieved faster even than planned; oxygen pressure gasification turned out to be an appropriate procedure, allowing suitable raw brown coal to be used.

WOCHENPOST: Geological and hydrological conditions noticeably worsened in the 1960's. Nevertheless the total output of lignite rose substantially in the period 1960-1970. What do you consider the main reason for this development?

Bernstein: In the period of time you mention, output rose by 36 million tons. This growth was generated primarily by the rise in labor productivity: Some 90 percent with regard to overburden removal and 60 percent with respect to coal. Despite this greater output, we were able to reduce the number of strip mines from 41 to 32. That was a useful and necessary concentration of operations. As a consequence, the average production per strip mine increased from 6.3 million tons to 8.2 million tons per annum.

At the same time the machine construction industry is supplying efficient large equipment: New excavators, electric locomotives, overburden and coal cars... In 1962, 11 days before the date set by the state plan, the first 45-meter overburden transporter bridge began to operate in the Klettwitz opencast mine. It replaced the small Troebitz transporter bridge which had collapsed following a dump slide in 1958. In May 1967, the biggest rotary bucket-conveyer excavator in Europe started trial operations in the new Welzow-South strip mine.

WOCHENPOST: The history of the overburden transporter bridge demonstrates the wealth of traditions in our lignite industry. As far back as 1924, such a bridge was taken into service at the Agnes Mine near Plessa, Cottbus Bezirk. Its operations were immediately successful. What actually are the benefits of such a large piece of equipment, and what are its future prospects?

Bernstein: To express it in easily intelligible terms: The dimensions of an overburden transporter bridge correspond to a complete factory which daily moves forward by about 3 meters. In the specific conditions of GDR strip mining, use of these bridges is the best possible solution. It allows us to dispose of the overburden as quickly as possible and thereby relieves the other equipment with the aid of which the enormous volume of overburden would otherwise have to be carried to the dump across the entire strip mine. By the end of the 1960's, 34-meter or 45-meter unit transporter bridges came into use. The figures in the designations show how many meters overburden the excavators linked to the bridges can carry away respectively.

In the first half of the 1970's three even bigger transporter bridges started operations in the strip mines Welzow-South, Nochten and Jaenschwalde. When in top gear, the F-60 is able to lift, carry and dump 110-112 million cubic meter overburden. In the next five-year plan period two more F-60 are to be introduced in Reichwalde and Klettwitz-North.

As regards its size and technical mastery, I consider the potential fully exploited. In future we will be concerned exclusively with the best utilization of this very expensive equipment. That is imperative also because geological mining conditions continue to deteriorate. In 1960, 2.85 cubic meter overburden needed to be excavated to produce 1 ton raw brown coal, the ratio has declined to 4.4 : 1 at this stage. In the years to come it may climb up to 10 : 1.

WOCHENPOST: Here also, therefore, it is a matter of the intensification of production...

Bernstein: ...precisely so, and for our strip mines this means the organization of the greater utilization of capital equipment in the deposits available, the improvement of existing equipment and, most of all, the need to contemplate the use of microelectronics for the huge appliances and band conveyors. We have recorded satisfactory progress in recent years. Intensification measures in 10 strip mines, for example, yielded 70 million additional tons raw brown coal in 1981-1983. This may serve to demonstrate the dimensions involved.

In the coming years we will increasingly adopt the automatic control of production processes, plant and large appliances. The F-60 is already equipped with computers. With respect to bucket-wheel excavators also, microelectronics are more and more to take on the control functions for these giants. Loading robots are going to replace 3-5 workers in each transfer from excavator to conveyor belt--a measure which will soon be concluded. The traction equipment traditionally used to carry the overburden in 25 and 40-cubic meter cars, is gradually giving way to the more productive conveyor technology.

Drainage is a particular challenge. To enable us to mine 1 ton raw brown coal, we now need to lift some 6.2 cubic meter water from a depth of 80 meters. This depth will increase to 8.7 cubic meters by 1985. Around a major strip mine water needs to be pumped from about 1,000 wells, the automated remote control of these wells is gaining extreme importance (see WOCHENPOST No 1/1984). Such automation allows us to free hundreds of workers for more challenging jobs.

WOCHENPOST: Do you see any possibilities for using lignite more conservatively than hitherto?

Bernstein: Conservation is crucial as a matter of economic common sense; evidently this holds true for our handling of lignite. Unfortunately some people still fail to properly esteem it. Admittedly we are producing a lot of raw brown coal, but the development and mining of 1 million tons

costs us M100 million. We would do well to recall this figure when using coal. As per legal regulations on rational energy use, all industrial consumers are obligated to create the scientific-technological and organizational conditions for raising the efficiency of their plant, increasingly utilize any secondary energy arising and in general lower losses.

Every citizen should contribute to conservation. The prudent use of energy presents a twofold benefit: Costs can thereby be lowered in the enterprises and the money saved used for other economic or social concerns.

WOCHENPOST: Obviously a brown coal mining operation is preoccupied with the production of coal and the removal of overburden. Does it also look after the recultivation of the respective area?

Bernstein: It does indeed by, for example, being very careful under the supervision of various social and enterprise bodies properly to handle the valuable arable land. Recultivation is subject to long-range planning. Even now, for instance, the brown coal combines are fully aware of the mining areas around Haselbach, Borna or south of Leipzig to be recovered for what purposes. We assume that it is necessary to hand back a maximum of agricultural area and make every effort in the course of reclamation so to improve the arable land that the highest possible yield may be achieved only a few years after return to the LPG's.

Our partners in this project are, above all, the district and kreis councils, the chairmen of district planning commissions, the Offices for Mining in Leipzig and Cottbus, the agencies responsible for environmental control, water supply and agriculture and the delegates of special study groups. At the present time we are all in the final stage of preparing a development conception through the year 2000 for Leipzig Bezirk. It is a new feature that lignite enterprises must now submit and defend their own development conception.

WOCHENPOST: How far have we gotten with the refinement of lignite as a fuel?

Bernstein: In the first stage raw brown coal is dressed to become screen and lump coal. Another stage changes raw brown coal into brown coal briquettes and powdered lignite fuel. To give you the details--The GDR produces 50 million tons briquettes annually, a quarter of which is allocated to meet the needs of the public. The production of powdered fuel doubled in the past 2 years and will double yet again in the next 3-4 years. This allows us more effectively to use imported energy sources such as oil.

Another stage of processing involves the production by coking of lignite high-temperature and lignite low-temperature coke as well as of gas and liquid products by low-temperature carbonization and gasification. As a result of the higher quality of the BHT coke, domestic coke can also be used for carbide production.

Research work has been done, which opens up entirely new fields for direct coal use (for gas production among others). These top scientific-technological

achievements arose in close cooperation between the working people of the Black Pump Gas Combine and researchers at scientific institutions.

WOCHENPOST: Mining used to be synonymous with hard and hardest physical labor. Much has changed, although the work is strenuous even now. What efforts have been made for improving the working and living conditions of working people in the coal and energy industry?

Bernstein: I do not think that there is any industry which more graphically illustrates the unity of economic and social policy in our state than the sector for which I am responsible. Equipment, technologies and conditions governing our work have changed fundamentally in the 35 years of the GDR's existence. We may confidently speak of a revolution in lignite mining. The basis of this development was the expropriation of all enterprises of the basic materials industry.

I still remember the old excavators in the Regis Mine. They were narrow, draughty, had no space for people and were very hard to repair. Currently all strip mines have well equipped social facilities; a catering truck stands at each transporter bridge and supplies hot food for all three shifts. The excavators have become user-friendly. In the briquette factories many jobs were revised, noise and dust abated. Of course much still remains to be done.

We can prove that every important economic decision in the coal and energy industry 1946-1983 was accompanied by measures for the improvement of the social situation of the working people. I am thinking in this context of the wage benefits for shift and other production workers and the engineering personnel, of shift premiums, increased basic wages, performance-dependent salary bonuses and others.

From the directive of the Tenth SED Congress to the 1981-1985 Five-Year Plan:

"For the purpose of the comprehensive enforcement of rational energy use, the scientific-technological potential must be directed to the main conversion processes of raw brown coal, electricity and heat production and further coal processing, to the settlement of the decisive problems of substitution and the achievement of top scientific-technological standards with regard to energy requirements of products and processes...

By 1985 raw brown coal production must be raised to 285-290 million tons."

Opencast mines in the GDR:

In the Senftenberg Brown Coal Combine:

Neuro, Klettwitz, Jaenschwalde, Schlabendorf-South, Cottbus-North, Graebendorf, Seese-East, Lohsa, Dreiweibern, Nochten, Baerwalde, Spreetal-Nordost, Welzow-South, Greifenhain, Scheibe, Berzdorf, Olbersdorf

In the Bitterfeld Brown Coal Combine:

Goitzsche, Golba-North, Delitzsch-Southwest, Breitenfeld,
Koeckern, Groebern, Wulfersdorf, Nachterstedt, Schadeleben,
Amsdorf, Muecheln, Merseburg-East, Profen-North, Profen-South,
Schleenhain, Groitzscher Dreieck, Borna-East, Witzlitz,
Peres, Espenhain, Zwenkau, Cospuden, Bockwitz

Imminent New Developments:

Roesa Strip Mine (1985)
Schadeleben Strip Mine (1986)
Reichwalde Strip Mine (1986)
Klettwitz Strip Mine (from 1987)

International Lignite Production (1980):

Total:	993 million tons
GDR:	258 million tons
USSR:	167 million tons
FRG:	130 million tons
CSSR:	96 million tons
Poland:	37 million tons
U.S.A.:	36 million tons

Order on Land Recultivation

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German
Part I No 5, 1 Mar 84 p 63

["Order No 2¹ on the Recultivation of Land Used for Mining - Recultivation
Order signed by B. Lietz, minister for Agriculture, Forestry and Foodstuffs,"
4 Jan 84]

[Text] On the basis of the Council of Ministers' resolution of 11 November
1982 on Agrarian Price Reform in GDR Agriculture (Special Issue No 1114
of the GESETZBLATT), the following is ordered in amendment of the order
of 23 February 1971 on the Recultivation of Land Used for Mining - Recultivation
Order (GBl II No 30 p 245), in agreement with the managers of the competent
central state organs:

Article 1

Article 5 is amended as follows:

"Article 5

The Financing of Recultivation

(1) As per Article 17 of the GDR Mining Law of 12 May 1969 (GBl I No 5 p 29).
subsequent users will be made available public moneys from the central fund
of the land use fee for the restoration of full soil fertility so as to
achieve large and stable yields coupled with the simultaneous creation of the
prerequisites for an environmentally well developed landscape following
mining operations.

1. Order (No 1) of 23 February 1971 (GBl II No 30 p 245)

(2) To safeguard the rational management of the land allocated, subsequent users who take over reclaimed land for subsequent agricultural or forestry use, may obtain financial resources consonant with the different conditions of the management of reclaimed land. To be called upon for the

a) Intended subsequent agricultural use and consonant with the various soil quality of the reclaimed areas, differentiated amounts ranging from M7,000 per hectare to a maximum of M11,000 per hectare, and following inspection and confirmation of the evidence of need by the competent state organ,

b) Intended subsequent forestry use up to M4,250.

(3) If, due to special technological features of management or the take-over of extensive acreage, increased expenses arise, another M1,500 per hectare may be made available for an intended subsequent agricultural use.

(4) If, due to the take-over of reclaimed land by subsequent users, significant changes are required in their enterprise organization, further financial resources up to M10,000 per hectare may be made available as interest-free loans to these subsequent users, over and above the moneys listed in Paragraphs 2 and 3.

(5) Moneys as per Paragraphs 2-4 proceeds on the basis of the confirmed proof of need as per Article 6 Paragraph 2 of the Recultivation Order of 23 February 1971 for a period of up to 15 years following the take-over of reclaimed land for subsequent agricultural and forestry use.

(6) Money for seeds and seedlings, soil preparation and planting for the environmental incorporation of the land may also be made available to subsequent agricultural users who take over reclaimed land."

Article 2

(1) This Order takes effect on 1 January 1984.

(2) When part amounts as per Article 5 of the Recultivation Order of 23 February 1971 have already been paid, the difference up to the amounts specified in this order has to be additionally paid. The following rates are to be used to calculate these differences:

a) For moneys as per Article 5 Paragraph 2

-- For subsequent agricultural use	2.9
— For subsequent forestry use	1.2

b) For moneys as per Article 5 Paragraph 3 1.2

c) For moneys as per Article 5 Paragraph 4 2.0

NEW CREDITS, OTHER SOURCES OF DM CURRENCY RESERVES DISCUSSED

Hamburg DIE ZEIT in German 13 Jul 84 p 4

[Article by R. Herlt: "The GDR Has Always Been a Reliable Debtor"]

[Text] The GDR can always make good use of a DM 950 million credit. But it would be a mistake to believe that East Berlin is desperately looking for foreign exchange to meet its obligations. With the second credit, it will be the same as with the first one that the Bayrische Landesbank [Bavarian National Bank] negotiated with the GDR Aussenhandelsbank [Foreign Trade Bank] in mid-1983. The credit will again be a welcome opportunity to add something to the GDR's foreign exchange cushion. But those who believe that the East Berlin government has exhausted its last foreign exchange reserves and will, therefore, be willing to make political concessions in exchange for new funds from the FRG, are wrong. If concessions should indeed be made, it will be for other reasons.

When the first credit for DM 1.0 billion was agreed on, there was much speculation about an alleged liquidity crisis in the GDR. However, the West German banks realized early on that these speculations were inaccurate. The GDR Aussenhandelsbank deposits in West German banks were in no way drawn down but maintained at their usual level after the alleged crisis had passed. Some 40 percent of the FRG credits were relatively short-term. Still, so far, even short-term repayment obligations have caused no difficulties for the GDR. It has considerable foreign exchange reserves at its disposal.

The new credit, announced by Prime Minister Franz Josef Strauss to a surprised public, is still in a relatively early stage of preparation. Strauss emphasized that this time it was not he who initiated the loan and that not a Bavarian bank, but the Deutsche Bank, would head the consortium. The latter hasn't denied it.

The GDR is known in the West as a reliable debtor. It is deep in debt with Western creditors (banks, governments and suppliers) at the tune of somewhat over \$ 10 billion. As a result of its inner-German trade, its net indebtedness has grown to slightly more than DM 4.0 billion, chiefly in the form of supplier credits. But

this also includes the interest-free offset credit in inner-German trade it has drawn on--that credit line up to which the GDR may go into debt when it falls behind in its deliveries. The agreed credit line has been reduced from DM 850 million in 1982, to DM 690 million for 1984. These credit lines have been used less and less this year. In 1982, it was still a matter of DM 582 million; it was less than DM 300 million during the first quarter of 1984. Shipments of the GDR to the FRG exceeded purchases from the FRG. Thus the GDR was able to lower its debts.

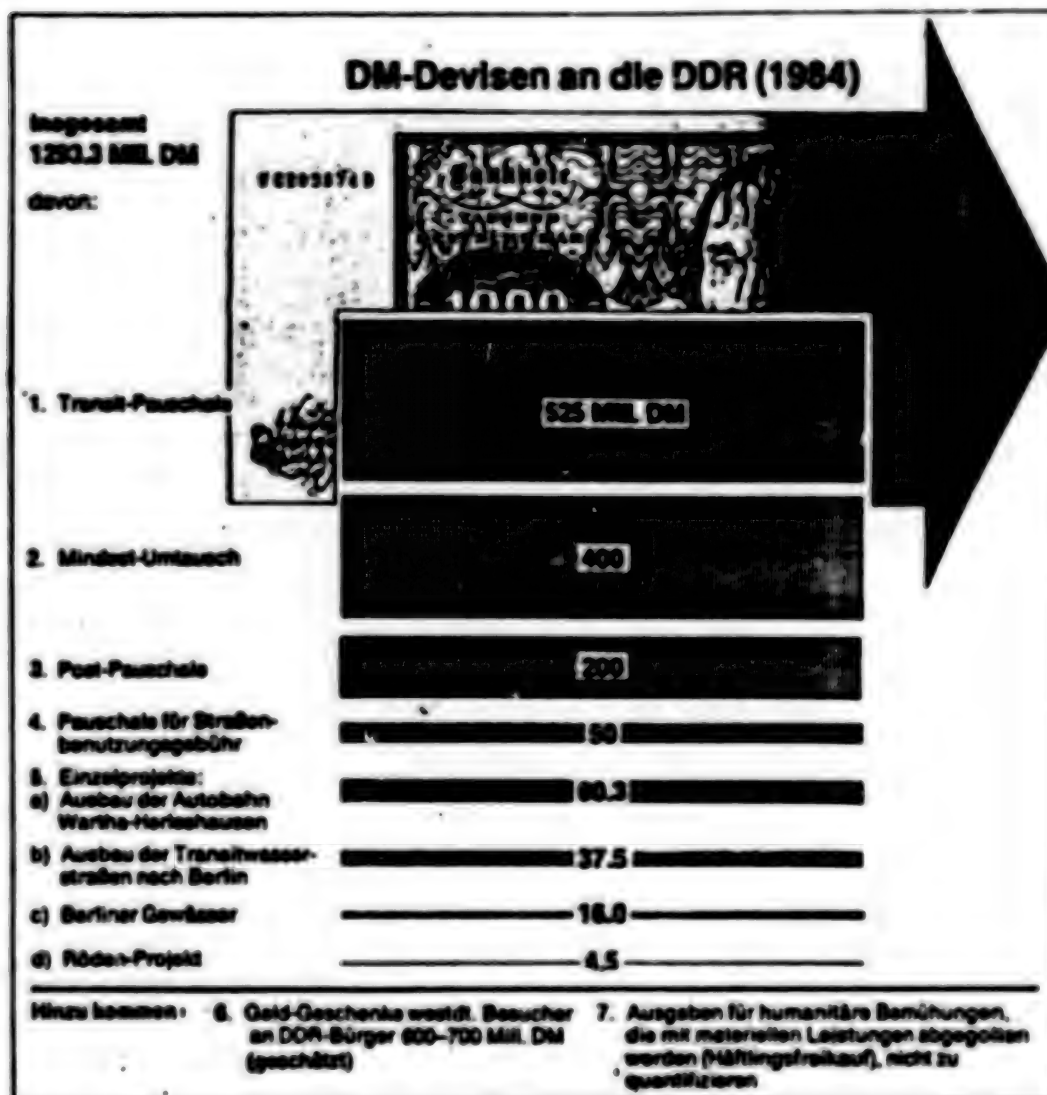
The GDR has always paid its debts with the West on time. To do so, it has been able to fall back on foreign exchange earnings from trade with the "non-socialist economic area"--through surpluses in shipments in inner-German trade and export surpluses from its relations with all Western countries. Statistics on the amount of these foreign-trade surpluses differ widely. However, the foreign exchange earnings are probably not enough to meet all obligations that are coming due. Hence, the regular payments by the FRG to the GDR offer welcome relief.

The biggest chunk is the lump sum (see diagram) the FRG government is paying to the GDR for permitting transit traffic to West Berlin. Since the amount of money FRG citizens are legally required to exchange on entering the GDR was raised, additional funds of about DM 400 million a year are flowing into the coffers of the GDR. Other foreign exchange receipts are the lump sum paid in return for postal services and the road-user fee. Finally, considerable sums of money are flowing to the GDR for individual projects, usually investments in traffic which are of direct interest to the FRG. If the money gifts West German visitors are asking to GDR citizens are added, the GDR can firmly count on some DM 2.0 billion from FRG cash registers and pockets. Whatever is paid for humanitarian efforts is in addition to the DM 2.0 billion.

Of the most recent DM 1.0 billion credit, which is repayable in 10 semi-annual installments, DM 100 million were already paid back in the spring of 1984. The next installment in the same amount is due in the next few days. Interest was negotiated at one percent above Libor (London Interbank Offer Rate, the London Euromarket rate of interest for six-month deutschmark credits); it was 6.7 percent at the time. The GDR is paying strict attention to the fact that the bank profits must not be more than one percent. That interest was and is being paid on time, goes without saying for a debtor like the GDR.

For the participating banks, the new credit will be as profitable as the old one. At the time, their subsidiaries in Luxemburg borrowed the DM 1.0 billion in the Euromarket for six months. After six months, the banks borrow new money in the Euromarket at then-prevailing rates. Thus they already earned DM 5.0 million in the first six months since the GDR debtor is paying one percent more than the banks must pay. Repayment started in early 1984. Every six months, DM 100 million are paid back. The sum on which interest must be paid is decreasing until, by mid-1988, it will be completely paid off. By then, the banks will have earned DM 27.5 million on the first loan. No chicken feed, considering they don't run the slightest risk--the risk is covered by a federal guarantee. The federal government, in turn, could recover any losses from its regular payments to the GDR if, contrary to expectations, the GDR should fail to make the repayment.

- (1)
- (2)
- (3)
- (4)
- (5)
- (6)
- (7)
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- (9)
- (10)
- (11)
- (12)
- (13)



Key:

- (1) DM Foreign Exchange to the GDR (1984);
- (2) Total DM 1,293.3 Million;
- (3) Including;
- (4) Transit Lump Sum;
- (5) Minimum Currency Exchange;
- (6) Lump Sum for Postal Services;
- (7) Lump Sum for Road Use Fees;
- (8) Individual Projects;
- (9) Improvement of Autobahn Wartha-Herleshausen;
- (10) Improvement of Transit Waterways to Berlin;
- (11) Berlin Waterways;
- (12) Project Roeden;
- (13) In addition:

Money gifts by FRG visitors to GDR citizens:
DM 600-700 million (estimated);

Payments for humanitarian efforts paid for in
material products (release of prisoners), unquantifiable.

INCREASED USE OF SECONDARY ENERGY IN CONSTRUCTION INDUSTRY

East Berlin PRESSE-INFORMATIONEN in German No 72, 22 Jun 84 pp 4-5

[Text] It is worthwhile to achieve the necessary growth in the capacity of construction to fulfill the housing program and the further strengthening of the material basis of the national economy with greater economy in materials and energy. All forces and equipment in science and technology, investments and rationalization tools in local manufacture are therefore primarily to be concentrated on perceptibly improving the degree of efficiency of the energy applied, rapidly eliminating expensive sources of energy, and using raw lignite generally. In this connection the utilization of secondary energy assumes decisive importance, which is therefore a question of reusing energy which is already to be found in the production process. This is the most economical and quickest way to save primary energy.

With their share of energy use of about 80 percent, the combines of the construction materials industry and the prefinishing plants in industrial and housing construction are the greatest energy users in construction. At the same time they possess a large reserve for development of capacity over the long term with decreasing use of energy. This secondary potential energy reserve can be calculated technically and economically at approximately 14,000 terajoules. At present 78 percent of this potential is used in industry in the form of waste heat, waste gases, furnace gases and exhaust air produced in the manufacture of building materials and construction components. By 1985 this proportion is to rise to about 89 percent. Through this increase alone savings can be achieved in one year equivalent to 160,000 tons of raw lignite.

This is a good result, but several thousand terajoules of the technically and economically determined potential still remain unutilized. It is time to exploit this energy source extensively with the help of technical and economic knowledge and further rationalization of technological processes.

The workers in the cement, brick, and ceramics industry are demonstrating how to exploit these reserves. Secondary energy amounting to about 9000 terajoules is reutilized, particularly in the preheating of combustion air by means of direct thermal coupling of rotary kilns with the raw material crushers of cement plants and of tunnel ovens with driers in the ordinary ceramic industry.

The attractive thing about it is almost 85 percent of the energy gained is used directly without the use of heat exchangers.

But the possibilities are still not completely exhausted. Not all the secondary energy available in the cement plants can be used because of their own limited needs. This technically determined potential at present amounts to almost 3000 terajoules, and will rise with the putting into service of additional furnaces. It is obvious that the energy gained should be used effectively in the adjoining areas. The goal is to solve this task in the framework of local rationalization in close cooperation with the responsible local state organs and in energy supply plants.

But there are still other aspects linked with the intensified use of secondary energy. In the Gera Technical Building state enterprise waste air of the aeration installation of the dyeing process for example is used to preheat the introduced fresh air. This brings about an annual cost saving of more than 500,000 marks. The method of catalytic afterburning of solvents steam from dyeing installations is at the same time a decisive contribution to environmental protection, as is almost every measure of secondary energy utilization.

An example of utilization of waste heat from cooling water for the heat supply of residential areas was created with the largest heat pump installation in the GDR in Eilenburg, Leipzig bezirk, put into service at the end of May this year through construction in close cooperation with machine-building. With the help of heat pump technology 680 apartments are supplied with heat and warm water. This prototype installation of a system solution of the Technical Building Equipment Combine state enterprise corresponds to the latest level of technology and makes possible a considerable energy saving per apartment.

Researchers and technologists in enterprises of the ordinary ceramics industry and at the wood-drying installations of the Construction Components and Fiber Building Materials Combine state enterprises are making great efforts to exploit additional waste energy resources from waste drying air and noxious waste gases containing toxic substances. Examples are waste heat utilization from the drying tubes with the help of regenerators in the Boizenburg Flooring state enterprise and heat recapture from combustion gases by means of the glass tube heat exchangers in the Erfurt Brickworks state enterprise developed in this branch of industry itself.

An exchange of experience of all combines of the construction materials industry was held in June under the leadership of the Ministry of Construction in order to disseminate these and other methods and ways and to direct further work toward secondary energy utilization. The knowledge and stimulus communicated there are a guide to action.

6108

CSO: 2300/552

CONSUMER GOODS PRODUCTION, IMPROVEMENTS IN TECHNOLOGY, MARKETING

Union Sponsors Conference

East Berlin TRIBUNE in German 26 Jun 84 pp 34

[Text] Industrial Robots Intelligently Employed

By the concentration of the entire output of aluminum bicycle wheel rims in our factory [Hettstedt Rolling Mill], capacities have been freed in the Zschopau Motorcycle Works for increasing the internal production of motor cycle disk brakes. Before we were able to produce such a large quantity, our enterprise had to proceed to the automation of the rim polishing equipment for 20's rims. By the development and construction of the first fully automated line for the production of bicycle rims, we are purposefully realizing the ideal coupling of industrial robot equipment for the production of high-quality industrial consumer goods. Upon completion of a second line, about 1.5 million rims will be produced in 1985, and these will meet the current national demand. It is of the utmost importance for us labor unionists, that the use of industrial robot equipment abolishes the disagreeable working conditions caused by metal dust and jobs presenting physical difficulties. The monotony of labor is also on the point of disappearing. At the same time that the work has become more interesting, the demand on quality has risen.

Scientific-technological cadres of the research and development, automation equipment, design and maintenance departments of the Hettstedt Rolling Mill and the central rationalization aid construction department of the combine collaborated with skilled workers in the production plant, chief mechanics department and the machine construction factory in order to be able to achieve all these objectives. This collective also includes young college and technical school cadres of the study groups "industrial robot equipment" at the combine's science and technology management department. As a result of these common efforts, the state plan date for assembly was anticipated by 3 months. Similarly, permanent operations, planned to begin on 1 July, in fact started on 3 April 1984. We still need to eliminate manual regrinding. It would also be true to say that we have not yet given sufficient "intelligence" to the robot to have it take on all monotonous work. Still, we are persisting.

The experiences we collected will help us in future resolutely to speed up scientific-technological advances and, consequently, in the socialist competition to contribute to the further intensification of the reproduction process coupled with the improvement of working and living conditions.

.....

Departments for Consumer Goods

To safeguard the greatest possible output of consumer goods, research and development capacities in the combines manufacturing capital goods were reinforced and thereby better prerequisites created for utilizing to even greater effect scientific-technological advances, including effective design, as a source of consumer goods in demand. Currently most of our combines have built up not only their own plants and departments producing consumer goods, they also have their own research and development capacities. That is the case in the Progress Combine, among others.

In addition to initiating the output of finished products, the combines manufacturing capital goods are directed to back the consumer goods combines by taking over the production of important components. The basis for this undertaking is represented by, among others, consumer goods shows and the preparation of offer catalogues by the consumer goods combines of the Ministry for the Construction of General Machinery, Agricultural Machinery and Vehicles. The expansion of consumer goods production proceeds with the maximum utilization of the know how and facilities offered by the main production. This is particularly evident in the Progress, Commercial Vehicle and NAGEMA combines. All the issues involved are of great importance in the socialist competition of the working people in this 35th year of our republic.

.....

The Potentials of Leading Combines Used

In view of its great scientific-technological potential, our district [Karl-Marx-Stadt] has assumed the obligation this year to make available more consumer goods for the public and for exports to the tune of M500 million. Our district labor union organization is energetically pursuing this challenging objective. We consider it imperative above all for the possibilities of our enterprises manufacturing consumer goods to be used even more comprehensively. We are already seeing some results, but the rate of progress is by far not sufficient.

Our district executive board expects the leading combines of our district to develop within shorter delays and efficiently produce in stable product lines more high-quality consumer goods in demand by the speedier build-up and expansion of their own efficient consumer goods departments, the deployment of their extensive scientific-technological potential and their own construction of rationalization aids. The experiences of our best enterprises demonstrate that the greatest progress is achieved wherever this task is tackled with a clear political standpoint and great resolution. Of course we are no less emphatic in championing additional supplies of new and further developed, well designed and attractive products from our traditional producers of consumer goods. To be made available by our district for the public at large or profitably exported are more cars, washers, refrigerators, toys,

musical instruments, drapes, lamps or home electronic devices. The labor union leadership organizations in these combines and enterprises must therefore direct the competition even more purposefully to the tasks of comprehensive intensification.

We also consider it imperative to do much more yet for a better functional efficiency of the products, guarantee a more stable and demand-appropriate replacement part output and properly organize services to the public. No collective of the preparatory or producing departments may omit any of these issues of consumer goods production from the plan discussion. On the contrary, they must be appreciated as an important labor union concern with respect to the further implementation of our policy for the welfare of the people.

.....

New Challenges to Our Work

Many requirements of our economic and social policy intersect in consumer goods production. That is why consumer goods production takes pride of place in the economic strategy decided upon by the Tenth SED Congress. It is a key issue of the SED's policy, oriented to the welfare of the people and the security of peace. The increasing satisfaction of the material and cultural needs of men--that is the meaning of socialism. The preconditions are created entirely and exclusively by the improvement of the national economy's capacity by way of intensification, the greatest possible labor productivity, science and technology. This applies without any qualification to consumer goods production and is not just a temporary assignment, something to be done off-hand; it is indeed a problem we will always have to deal with, and which constantly challenges us anew.

The strategic importance of consumer goods production in the SED's economic and social policy is based on several objective processes. I would like at this point to emphasize some of them in particular:

1. Consumer goods production must definitely grow in order smoothly to continue the policy of the main task in its unity of economic and social policy, and increasingly well satisfy the needs of the people. As a result of the planned development of the working people's incomes and the planned sociopolitical measures, demand and purchasing power are growing year by year.
2. We appreciate that the supply of consumer goods greatly affects the development of the working people's willingness to serve and their activism. The performance principle is a basic principle of the economic and social development of socialism. As we all know, greater output results in larger incomes. However, this incentive operates fully only if the money earned can actually buy something. Consequently a diverse supply of consumer goods, specially high-quality technical products, is an important condition for the full efficacy of the performance principle.
3. Consumer goods are vital for the improvement of the economic profitability of foreign trade. Satisfactory earnings can be relatively quickly realized

by the efficient production of attractive consumer goods in demand on the world market and by the services involved.

4. From the standpoint of the national economy, industrial consumer goods are among the most highly refined products. It follows that the development and production of high-quality consumer goods represents an important aspect of the improvement of the efficiency of our national reproduction process.

For all these reasons each combine--whether centrally or district managed--is obligated to furnish its own contribution to the rise in the output of high-quality consumer goods in demand on domestic and foreign markets. This applies quite particularly to the combines manufacturing capital goods. They must supply a greater impetus for the improvement of quality and rationalization in the consumer goods production in all sectors of the national economy.

In 1983 combines and enterprises of industry developed new consumer goods worth around M22 billion and, in fulfillment of the competition obligations assumed, a total of M2.3 billion's worth more consumer goods were made available than provided for in the plan. Consonant with our total economic development, we have the necessary strength and potentials to meet the great challenges for the development of consumer goods production on the lines prescribed by the party.

The conclusions to be drawn from the positive but differentiated development for the continued pursuit of the creative mass initiative, consist in the following:

1. Politico-ideological work continues to be the main area of our labor union influence on the development of consumer goods production, as in all areas of the national rise in efficiency. It must primarily be directed to even more persuasively teaching all enterprise collectives that all enterprises and combines hold a great deal of responsibility for the production of consumer goods, and that this production may not be left exclusively to the traditional sectors. To be further deepened in this context is the appreciation that consumer goods production cannot be handled as a side issue in crafts workshops from scrap left over by the so-called main production. To meet national requirements we must provide entire production lines, departments and sections for the efficient production of consumer goods. The capacities required thereto, in particular the manpower, must be obtained by extensive rationalization in the combines and enterprises.

2. Enterprises and combines must stabilize and expand the advances and positive results of consumer goods production achieved up to now. In accordance with the challenge of the Seventh Plenum of the FDGB Federal Executive Board, this requires the orientation of the socialist competition to output and output growth in all stages of the reproduction process. The 1985 plan discussion offers a wide open field for such efforts.

3. The initiative of the working people in the socialist competition must be directed even more effectively to the introduction of new products more quickly, and to guarantee top quality for all new products. In future

we may interpret as the minimum objective only for the production of technical consumer goods and fashionable products with a constantly changing assortment the challenge issued by the Seventh SED Central Committee Plenum to achieve 30 percent annual renewal rates.

4. It must be clear to everyone that we are not concerned with consumer goods as such but--based on customer needs and wishes--with such products as correspond to the latest scientific-technological advances, have the best possible functional qualities, are manufactured in large quantities from the material and raw material funds available, use as little energy as possible and have a good design.

5. To achieve more advances in the development and rational production of qualitatively valuable consumer goods calls for the even more emphatic orientation of the working people's creative initiative to the speed-up of the rate and the improvement of the quality of scientific-technological work. The standard and attraction as well as the design and, where necessary, the patent value of high-quality consumer goods is largely decided in the laboratory and at the drawing board.

6. The working people's initiative must be even more effectively directed to raising the quality standard of supplies and, in the interest of the greatest possible supply efficacy, producing contract-appropriate consumer goods, making them available for the domestic trade and exports.

.....

Excellent Output in the Competition

By a satisfactory balance of the national economy's output development in the first 5 months of the GDR's 35th year, the working people are manifesting their firm wish with the help of the socialist competition to make the anniversary year the most successful one in the history of our republic. Included is the fulfillment of the metal workers' competition obligation in the enterprises and combines to produce a surplus of performances and products for the public, provide a more abundant assortment of industrial consumer goods and thus better supply the domestic market and improve export results. This initiative is expressed in the overfulfillment of the index "finished products for the public" at M78.6 billion by the end of May 1984. Progress has been achieved in the transfer of new consumer goods to production.

Analogous to the Berlin Star Radio VEB, initiative enterprise of the 1984 socialist competition, where a new generation of radio recorders went into production, many other technical consumer goods in demand are now available. The criterion of successful efforts in the socialist competition must increasingly be the adequate quantity production of new items with new technologies and materials, and the earning of satisfactory profits.

The management of the labor union executive boards and leadership organizations is challenged by the fact that the working people in the metal producing and processing industries bear a heavy responsibility for increasingly better satisfying the demand of the 6.5 million households in our country for modern household appliances, attractive products of home electronics

and for the meaningful organization of leisure. Our housing construction program--let me just remind you of the project to complete a total of 20,000 above plan housing units in the capital in 1985/1986--is also resulting in another qualitative and quantitative growth of the demand for consumer goods from the sector of the metal industry.

Our traditional consumer goods manufacturers are confronted with the task by the socialist competition to contribute to the decisive increase in capacity (expressed in a more voluminous end product) by quality labor at each job and better shift utilization of the plant. They must more consistently determine the scientific-technological standard of products and, by mass production, gain experience in the use of high-quality equipment. The requirement to at least develop and produce 5 percent of the total production of consumer goods in demand, illustrates the impossibility of treating this matter in an off-hand manner as well as the need to manage consumer goods production at a high standard and with the same attention as the main production.

The best results are achieved wherever capable cadres are entrusted with assignments regarding consumer goods development in the respective research, development and technological departments, where production equipment attains an increasingly high standard by comprehensive rationalization measures involving the use of microelectronics and robot equipment, thereby also freeing the manpower needed to expand the capacities.

An excellent example is offered by the design, planning, construction, assembly and start of operations of the transportation and production line for the automatic manufacture of bicycle rims in the Hettstedt Rolling Mill VEB. We are particularly appreciative of the results of these efforts, because--right from the start--the creation of good working conditions, the organization of interesting jobs was planned and the working people involved from the time the whole project was only an idea. At the same time fruitful socialist cooperation was organized also.

While we acknowledge the progress made in the development and production of consumer goods in our sphere of responsibility, we must agree with the assessment of the Seventh Plenum of the Federal Executive Board, that much remains to be done.

It is therefore indispensable now in the plan discussion to exactly inform the working people about plan fulfillment, explain to them the cost/profit ratio, talk about the causes of progress and backwardness and, together with them, trace the next steps. The knowledge gained, proposals and suggestions submitted in the process of the plan discussion should be thoroughly scrutinized and used for 1984 competition management and the 1985 plan draft. We labor unions must consistently utilize tested competition methods for consumer goods production especially.

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A Good Idea for Camping Enthusiasts

The performance comparison conducted for the past 18 months with our partner enterprise Doebeln Electric Heat, in particular, inspired the collectives to develop new and additional initiatives for the definition of consumer goods production. We already had a lot of experience in the manufacture of elements for electric cookers. But we still did not have a proper consumer end product. We organized two seminars with our college and technical school cadres and an innovator conference--both aimed at getting ideas. We received many suggestions and recommendations. The distribution of assignments to various technical departments and managers--well beyond the actual range of tasks--enabled us to develop a salable end product in the 1983 plan year. This year we aim to produce another 9,000 of this item. It is a multipurpose tool "Uni-Set" with eight functions, designed especially for camping enthusiasts. In the third quarter 1984 we will begin producing a new consumer item. This has been designated "turner set 20-84" and a patent has already been applied for and registered.

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Smart Knit Patterns in Constant Motion

The Elite-Diamond VEB, part of the Textima Combine, manufactures two main products: Bicycles and flat knitting machines. By the end of this year, 170,000 of our popular Diamond bicycles will roll off the assembly line for the public at home and for export--more than ever. Almost half our industrial goods production comes from this department. The other half originates in the production line for flat knitting machines. We are producing this machine for our own light industry and for export. Our enterprise thus manufactures consumer goods and capital goods for the consumer goods industry, and we carry a heavy economic responsibility in both instances.

Ranking first among our knitting machines are the so-called FRJ machines, flat round knitting machines with jacquard controls. We have long been internationally renowned for this high-capacity machine with rotary knitting slide, by means of which we obtain an output up to 5 times greater than that of other machines. Our competitors' attempts to supplant us on the world market were in vain. However, even the most outstanding knit goods output is no successful sales argument in present circumstances, neither vis-a-vis our light industry nor on international markets. The international trend is toward super fashionable knitwear in ever smaller lots. The jacquard controls of our earlier flat round knitting machines had to give way to microelectronic controls. These afford the user the briefest conversion delays when patterns are changed and maintain fast knitting speeds. It was imperative as rapidly as possible to devise microelectronic controls made up of GDR components. The dates in the tasking workbook were correspondingly challenging.

A youth researcher collective, composed of young college and technical cadres and young skilled workers, took on the development and testing of stored programmable controls and pattern preparation plant. This assignment was realized in only 2 years and at a high standard of quality. The youth

research collective is largely responsible for the fact that our new machine was transferred to mass production 6 months early. Another proof that young engineers and workers are able to accomplish with great zeal and at a high standard a worth while scientific-technological task which stretches their capacities. Our new microelectronically controlled flat round knitting machine involved 16 patent applications, and it improves on its predecessor (equipped with imported controls) by 60 percent with respect to its functional value. Its development provided us with important experiences for the 1985 plan discussion: Constantly improving work with our youth brigades and youth research collectives is able to help us in the competition to set a much faster rate of speed in the struggle for scientific-technological top performances for the benefit of increased consumer goods production.

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Comments by Unionists

In our factory, the production of replacement parts for older and currently manufactured appliances is a planned process and given equal treatment with final production. The necessary capacities are available and were provided in accordance with the demand. At the present time some 6 million washers in our republic are looked after by customer service. [Hans Dehner, Schwarzenberg Washer Factory]

The extent of the renewal of consumer goods represents an important dimension for us in the socialist competition. We have recorded increasingly better results since 1981. Decisive for this was the revision of the competition conception in the technical departments. By working closely with the tasking workbooks, we were able to cut the earlier customary development and transfer periods for our products from 18-24 months to an average 10 months. We are thus able to faster react to customer wishes and, at the same time, create the bases for the scientific-technological preparations in the research and development collective. As a result we are able annually to ensure the renewal of up to 50 percent of the product assortment. [Roland Slawicki, plant labor union executive board chairman, Lengefeld Lamp Construction VEB]

Our BGL [plant labor union executive board] organizes the socialist competition with the objective to produce additional ladies' quartz watches for the public. Some of our colleagues such as Helmut Geyer and Guenter Dulheuer took the lead in the creation of technical and technological prerequisites. That affected the targets of the tasking workbooks, personal plan offers and appropriate verbal input. We succeeded last year, for instance, in completing the development of a second generation of ladies' quartz watches ahead of time and transferred it to production. Close cooperation between design, technology and work collectives for the production of components and watch assembly has made for satisfied customers. [Siegfried Nitzschner, BGL chairman, Glashuette Watch Factory],

The program for the development and production of finished items for the public and of components prescribes decisive activities for further growth in output by the development and use of reserves, specially of science

and technology, and by way of the priority balancing of funds, capacities and resources. In recent years our combine achieved above average growth rates in consumer goods production for the public. [Winfried Siebert, deputy general director, Fritz Heckert Machine Tool Combine].

More Coordination Needed

Dresden SAECHSISCHE ZEITUNG in German 3 Jul 84 p 2

[Interview with R. Schreyer, director of Head Office for Consumer Goods, Bezirk Planning Commission, Regional Council: "Popular Consumer Goods Must Reach Markets More Quickly"]

[Text] SAECHSISCHE ZEITUNG: When, in fact, was the head office for consumer goods established?

Roland Schreyer: It was set up on 1 December 1983, following a resolution by the bezirk council. This does not mean that no work was previously done in this field. Still, the head office provided much better conditions for coordination. We also give recommendations and suggestions, encouragement and backing to the enterprises with respect to greater consumer goods production.

SAECHSISCHE ZEITUNG: Have you already recorded successes?

Roland Schreyer: The impact of such a head office is not necessarily apparent from one day to the next. We did succeed in largely removing such objections as "we are not consumer goods producers." Consumer goods production may never be considered a temporary assignment; it normally needs long-term planning and must everywhere become an element of management and planning. Fortunately examples are multiplying, which show that this necessity is being appreciated. The Pirna/Zittau Photo Equipment VEB will produce an additional 3,000 record players this year, and the Dresden Electric Machine Construction Combine supplied 3,900 more Multiboy kitchen appliances than planned in the first 5 months of this year. Altogether we aim this year to exceed the plan for finished products for the public by 2 percent. We consider this a satisfactory basis for more ambitious targets in the coming years.

SAECHSISCHE ZEITUNG: Where do you see reserves?

Roland Schreyer: Mainly in the elimination of the far too differentiated development of enterprises and combines. This persists not only between producers of capital goods but also between enterprises which turn out consumer goods as their main products. Significant reserves are to be found in increased intensification, common scientific-technological measures, cuts in transfer times and altogether a greater extent of renewal...

SAECHSISCHE ZEITUNG: What do you expect to be achieved by the advice center housed here in room 311 of the bezirk council?

Roland Schreyer: To begin with: Every enterprise may ask for an appointment and obtain advice. We are directing the attention of enterprises even

more emphatically to very popular consumer goods such as furniture, upholstery and toys. We are providing suggestions as to the components suitable for helping the further development of consumer goods production, because not every enterprise is able to be a final producer. On the other hand, every enterprise is responsible for the increased output of consumer goods.

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CSO: 2300/559

GERMAN DEMOCRATIC REPUBLIC

BRIEFS

PAYROLL TAX EXPANDED--The East Berlin Council of Ministers significantly expanded the scope of the "Decree on Contributions to the Social Fund" passed last year. The decree obliges the nationally-owned combines and enterprises of centrally-managed industries and construction to pay a kind of payroll tax of 70 percent on the planned wages of workers and employees into the national budget. As of 1 January 1985 or rather 1986 (transportation), this also affects the nationally owned combines and enterprises of the bezirk-managed industry, the fruit and vegetable processing industry, the foodstuffs industry and water management, the producer goods grade and transportation including the German railroad and Mitropa. The tax is intended to raise state revenues as well as to induce the enterprises to institute increased rationalization measures and reductions in personnel. [Text] [West Berlin IWE TAGESDIENST in German No 98, 6 Jul 84 p 2]

CSO: 2300/577

DEVELOPMENT OF IMPORT-EXPORT PRICE INDEXES DESCRIBED

Budapest FIGYELO in Hungarian No 25, 21 Jun 84 p 18

[Article by Mrs Adam Kiss: "Price Indexes in Forints and Foreign Currencies"]

[Text] In the convertible accounting market, which is directly influenced by the world market's price, the actual foreign exchange rate in 1983 further decreased. However, this has been adequately compensated for by the devaluation of the forint, as the imports by 8.1 percent and the exports by 5.5 percent exceeded the exchange rate of 1982. The convertible accounting foreign trade exchange rate decreased by 2.4 percent.

In the ruble accounting foreign trade, the contractual ruble prices in 1983 once again, significantly increased in the imports by 8.0 percent and in the exports by 5.1 percent. (The pace of the price increases at the same time, in the past two years have been restrained, because of the influence of the slackening world market prices.) The ruble accounting economy's exchange rate, although less than in the previous year, nevertheless further decreased by 2.7 percent. (The ruble's forint exchange rate has not changed during the last two years, as the forint's exchange rate also indicates the pattern of foreign exchange rate.) With respect to the two major accounting markets, the forint price indexes indicated the increase of the import prices by 8.1 percent and the export prices by 5.3 percent, which meant an overall 2.5 percent decline of the terms of trade. The degree of decline was the greatest in six years, and the subsequent price decrease unfavorable influenced the trend in export surplus.

The convertible accounting trade's forint price index in 1983.

	1982=100	Im	Export
Energy carriers, electric energy		105.8	105.8
Raw materials, semi-finished products, components		108.0	106.6
Machines, transport facilities, other investment goods		108.6	109.9
Consumer goods		106.9	106.9
Food stuffs, industrial goods, live stock, food products		109.3	102.9
Total		108.1	105.5

Last year, the price trend of the convertible accounting foreign trade was influenced by the fact that the forint was devaluated against all hard currencies with one exception. The greatest, 17.7 percent, devaluation was against the U.S. dollar but the German mark's, the Austrian schilling's, and the Swiss frank's value was increased by 11-12 percent also. In the case of other currencies, devaluation was only minimal, and in some cases the value of the forint was increased against other currencies. The average forint exchange level against capitalistic currencies, increased by approximately 11 percent in case of the imports and by 13 percent in case of the exports because of the larger proportion of the U.S. dollar,

In comparison with last year, 8.1 percent higher import and 5.5 percent higher export forint level was the result of the rising market prices. That is to say that the actual foreign exchange level of the imports has decreased by 3 percent, and that of the exports by 6-7 percent. These changes in prices and rates of exchange together should be taken into consideration at the estimation of the forint price index, in view of the fact that the price and the rate of exchange variations deviate more from the actual foreign exchange fluctuations.

In imports, the prices of the most important materials and components in forint value have increased by 8 percent: besides the increasing, approximately 10 percent rise of the price level of basic materials, that of the components has also risen somewhat less than average.

The imports of the raw and basic materials, after the decrease of last year, significantly increased in 1983.

In the chemical industry, the import price of the basic materials increased by 10 percent, and that of the semi-finished products by 8.5 percent. A significant forint price increase was observed in the prices of the synthetic resin, PVC powder, insecticides and potassium fertilizers.

Because of increasing demand and the low supply, the purchase price of latex increased by 32 percent, certain light industry basic materials such as the raw oxide, soft leather, and cotton yarn increased by 12-18 percent. The forint prices of cellulose, printing paper, wood pulp have decreased somewhat.

In the import of foodstuffs, the price decreases of several important articles in the previous years, was followed by price increases in 1983. As a result of the production reduction in the United States, due to the drought, the price trend increased on the protein fodder market. For this reason, the import price of soy flour and fishmeal has increased by 17 percent and 30 percent respectively. However, the price of coffee--contrary to the world market price--has decreased through favorable purchases approximately by 33 percent. Among the most important produce, the import price of cocoa beans, lemon and tea has increased, but that of oranges and bananas has decreased in comparison to previous years. The convertible accounting export, in addition to the 5.5 percent increase of the forint price level, has expanded in volume by 11 percent. The greatest degree of increase was in the price index of machinery, however at

the same time, the export volume has decreased by 10 percent from that of 1982. In the exports of foodstuffs, the marketing difficulties were expressed in the depressed price level. Taking advantage of the increasing demand, our aluminum metallurgy products have been sold in a larger volume with a 32 percent price increase. However, the export of certain iron smelting products, could only by increased under depressed prices. The decreasing price trend of certain chemical products in the past years shifted in the second half of last years. Its effect was felt in the price increase of the synthetic resins, C-4 fraction and the PVC powder by 14-26 percent. The relatively significant 10 percent increase in the export price of machinery, was attributable to the marked proportion of the U.S. dollars in the sales.

Among the most important products the forint prices have increased at above average rate, in the exports of transportation vehicles, Diesel vehicle engines, certain machine tools, and semiconductors.

Among consumer goods, the wearing apparel and household textiles have increased by an average of 6 percent, pharmaceutical products by 7 percent, electrical household appliances and incandescent lamps by 10-12 percent. The price of furniture, on the other hand, has decreased in forint value.

The 2 percent higher forint export price index for agricultural foodstuffs relative to the previous year means that our marketing prices in dollars have decreased by 12-13 percent. At advantageous prices, but in lesser quantity than in the previous year, we exported flour milling fodder, gooseliver, greens, and vegetables in addition to sunflower oil, taking advantage of the increasing price trend of the vegetable oils.

In the ruble accounting import, as in previous years, the increasing price level was determined by the rising cost (16 percent) of the energy supply. The rest of the main stock's price indexes was characterized by a balanced 4-5 percent increase. The import volume has increased by 1.5 percent, however, the imports of machinery and materials have increased by 6 percent and 8 percent respectively while the purchase of energy supplies and foodstuffs has decreased.

The ruble accounting market's forint price indexes in 1983

	1982=100	Import	Export
Energy carriers, electric energy		116.2	117.3
Raw materials, semi-finished products, components		104.6	105.4
Machines, transport facilities, other investment goods		104.6	105.6
Consumer goods		104.8	103.8
Foodstuffs, industrial goods, livestock, food products		104.3	104.5
Total		108.0	105.1

In exports, the price increase of certain main groups of goods with the exception of the consumer goods, successively surpassed the import goods of similar category. The lower average price level increase of the exports correlated with the significantly different commodity composition of export

and import goods. The volume of the export has increased by 8 percent, mainly by the increasing demand of materials and machinery abroad. The moderate price increase of the consumer durables was accompanied by restraints in the export.

In the material exports, the export level of the raw and basic materials has increased the least, barely surpassing that of the previous years. At the same time, the share of the metallurgical base materials in the exports has significantly increased. Among the 5 percent price increase of the semi-finished products, there were important commodities such as the hot rolled rods, sectional steel and insecticides. The increasing export of these materials was not followed by significant price level increases. The transaction of the machine parts, a significant component of exports, was completed under relatively favorable price levels.

Within the machine exports, the conveyances have increased by 8 percent, the machine tools and agricultural machinery by 5-6 percent were sold in larger quantities than in the previous year. Out of the consumer durables, the export prices of the dynamically expanding pharmaceutical products have increased only by a modest 2 percent. In the declining exports of the clothing industry and in household textiles, only a 5 percent price level increase was achieved.

The price level of the agricultural and foodstuffs industries was higher by 5 percent and 4 percent respectively than in 1982. Wheat and corn were sold at a price 6 to 11 percent higher, but in smaller quantities than in the previous year. Among the most important foodstuffs, the price of pork has increased most significantly.

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CSO: 2500/411

BRIEFS

MACHINE TOOL COOPERATION--Chemokomplex Foreign Trading Company has just signed a 17 million ruble contract with its Soviet counterpart, the Tyehnopromimport Group. The deal involves delivery of machinery for the manufacture of aluminum tubes and plates. These machines were designed by engineers at the Chemimas Chemical Machinery Planning and Contracting Enterprise, and they will be assembled there too. Chemimas manufactured such equipment even 10 years ago using licensed technology purchased abroad, but the new technology is much more up-to-date and is fully automated. According to Chemimas, it would be worthwhile to continue developing tube manufacturing technology for the food industry too, since the Soviet purchasers have indicated that they were prepared to buy several dozen machines from us in the future. [Text] [Budapest NEPSZABADSAG in Hungarian 11 Jul 84 p 4]

CSO: 2500/494

IMPACT OF ECONOMIC REFORM ON DOMESTIC TRADE DISCUSSED

Warsaw HANDEL WĘWNETRZNY in Polish No 1, Jan-Feb 84 pp 33-38

[Article by Marek Prymon of the Wrocław Academy of Economics: "Changes in Trade Management in Light of the Economic Reform"]

[Text] The following paper presents the most essential results of research aimed at a preliminary assessment of the development of the trade management system, provided for in the economic reform. The research is being done in the Institute of Trade and Services of the Wrocław Academy of Economics, and forms part of a research project entitled "The functioning of the market machinery in the reformed economic system" (Key project 11.11).

At the beginning of the research, criteria for assessing changes in trade management, derived from the thesis on the contemporary theory of market, were formulated. Because of space limitations, the analysis of these criteria has been omitted, while research results are presented in sequential order.

The assessment of changes in trade management has been done primarily through interviews in trade enterprises and by polls conducted in the total aggregation of enterprises throughout the so-called southwestern macroregion.¹

I. One of the mainstreams of the economic reform involves granting independence to enterprises. In the pre-reform period the fetishism of calculation on a macroeconomic scale, and the effects of administrative coordination, brought about—as a result of inefficient economy—the centralization of trade management. The present organizational structures have been shaped with disregard not only of economic calculation, but of all market criteria. The granting of formal independence to enterprises therefore took place in specific conditions, within the "surviving" organizational structures. From the formal point of view, the modification of substantive structures might have been more successful in industry rather than in trade, since new industrial structures might have been achieved by the simple abolishment of associations. But as far as trade was concerned, the problem of twin ownership forms remained to be solved: the cooperative vs. state ownership. This was particularly significant, given

the irrational policy toward state and cooperative trade organizations (in particular in the so-called Spolem sector) followed by the center in recent years. It was a minor problem as far as the purpose of reform premises was concerned, as there were no grounds for differentiated formulae of parametric management of state and cooperative trade. Since the implementation of the reform, however, some problems in dealing with the effects of earlier trade reorganization have emerged. It is not just organizational effects, pure and simple, that have been involved here, but in particular some problems of its material and technical base as well. Simultaneously, some problems of how to steer two fundamental forms of ownership in the trade area have appeared.

Since the Ministry of Domestic Trade and Services founded state wholesale trade organizations, the new enterprises took over most of the cooperative wholesale warehouses. Following this organizational innovation, some 67 percent of the Spolem cooperatives in the southwestern macroregion have no storage base. The newly created wholesale foodstuff trade sector has operated for too short a period of time to allow an assessment of how effective the solution has been. One can only optimistically assume that the change will promote competition between various trade organizations, in particular as far as the development of a warehouse base for Spolem cooperatives is concerned. In the consumer cooperative sector, the reorganization was aimed at the restoration of universal consumer cooperatives [PSS] as prime units. From the formal point of view, it was an unavoidable intervention, and therefore should not be analyzed according to criteria of economic efficiency. Since the Spolem organizations are widely dispersed,² the newly established provincial branches of the Spolem Central Association of Consumer Cooperatives are usually regarded as a necessary link between the cooperatives and their head office. Still, no less than 50 percent of the cooperatives have registered a permanent trend towards the provincial branch of the head office acting as their superior authority. Significantly, not more than 40 percent of the cooperatives consider the branch as a unit which facilitates liaison with industry. The operations of provincial branches are regarded most critically by those cooperatives which dispose of considerable trade capacities, measured by the quantity of their retail turnover, the number of stores, and the trading area.

In the Samopomoc Chlopska farmers' cooperatives no major changes in their substantive structures have been introduced, due to the high level of integration of the provincial associations of farmers cooperatives [WSR] combined with considerable dispersion of the cooperatives over a large territory. However, the increased importance of economic rules of the game usually have moved the cooperatives within this organization to assess critically the role played by their provincial associations. No less than 52 percent of the cooperatives believe that the provincial associations act as their superior authority. Fulfilling that role involves fixing economic and financial targets, overseeing operations, making decisions about shared profit margins, imposing solutions concerning the remuneration system, or imposing solutions as far as the cooperation between wholesale and retail is concerned.

The reorganization of the state domestic trade has proceeded in a way different from that followed in the cooperative sector. The 1976 reorganization brought about the merger of branch enterprises--ignoring the requirements of economic calculation or the material and technical base--into a unified kind of enterprise. The granting of independence to such enterprises has in no way followed any optimal organizational structure. However, since there is as yet no way of preparing an economic calculation which would determine the character and the situation of an enterprise, their reorganization cannot be regarded as an issue of prime importance. The premises linked to their "branch purity" are too vague to be sufficient. It would make more sense to maintain, for the time being, the existing structures in order to allow for better use of the warehouse network and the retail network, as well as to compensate the most varied levels of profit margins in various branches.

Regardless of the general reorganization of state domestic trade, attention should be paid to reorganization possibilities within the enterprise. The demand for their division was raised in particular by those major enterprises which had been established in 1976 to replace large and well-equipped branch organizations, where the decisionmaking procedure was overcentralized.

The previous analysis of changes in the substantive trade structure indicates a tendency to increase the number of trade organizations active in the marketplace. The intensification--within the reform framework--of the motivation function of the trade enterprises, by linking the system of profit margins and revenues with the remuneration system, alongside the simultaneous growth in the number of trade organizations, permit us to regard the first of the evaluation criteria for change in trade as already accomplished. The instability of financial management of the enterprises, due to the changeability of tax policies and to the lack of regulated profit margins, gives no guarantees for the long-term operation of trade enterprises. From the point of view of the enterprises' market strategy, that is most unfortunate.

II. The second criterion for our assessment involves creating a so-called open market in the economy. However, the prevailing phenomena of distribution, rationing, and steered sales restrain the scope of the enterprises' freedom of decisionmaking in choosing both their inventory program and the so-called distribution channels. The universal practice of diversifying the inventories is, nonetheless, a clear result of the reform. In particular, the broader trade activity, both in state trade and in all the cooperative units, is typical. In the researched consumers' cooperative units, 72 percent of the cooperatives have introduced the sale of products of new branches. One should point out that these new branches have a considerable share--up to 10 percent--in the overall turnover. In the Samopomoc Chlopska cooperatives the introduction of new products proceeds more slowly, and has a lesser scope. Some 36 percent of all the cooperatives have included new branches in their turnover, but the new sales contribute no more than 3 percent--and most often just 1 percent--to the sum total.

The typical branches in which the Spolem cooperatives have become interested include the garment, footwear, textile, and knitting industries. In the case of the Samopomoc Chlopska cooperatives, those new branches include durable household goods, garments, textiles, footwear, and non-durable household articles. In the state domestic trade enterprises, the new branches include non-durable household goods (glass, pottery), chemicals, and foodstuffs. In those branches, however, the turnover is minor, and does not exceed 1.2 percent of the total turnover of those enterprises.

Distribution and rationing are everywhere a source of restraint on the freedom of decisionmaking, as far as both the enterprise's inventory structure and the distribution subsystem are concerned. Even if the concept of distribution can be justified by shortages of goods, the inventory structure of distributed goods is not determined optimally. About 72 percent of PPS and gmina cooperatives believe that the scope of stocks distributed should be reduced.

In case of the distribution, however, the suggestions put forward by the trade units cannot be considered authoritative, since the consumers would ultimately have to pay the price of its precipitate reduction. Nonetheless, the large number of branches in which the trade considers distribution as superfluous should indicate some distortion of the system.

Since the concept of contract prices has been accepted within the framework of the reform, trade enterprises should formally participate in the decisionmaking concerning the fixing of price levels. In practice, however (and leaving aside the scope of official and regulated prices), prices are being negotiated at the level of trade enterprise associations and head offices. At the enterprise level, on the other hand, the price is usually a given quantity, imposed by the producers. The role of a trade enterprise is thus restricted to either accepting the price or withdrawing from purchase. One can only hope that those negative phenomena caused by contract prices are of a provisional character, and will start to disappear with the future modified relationship between supply and demand and with the long-term prospects set up for enterprise operations, that is to say, when the practice of operative orders gives way to market strategy. We are also convinced that all the administrative and legal measures aimed at strengthening the bargaining power of trade enterprises in negotiating prices will delay the process of implementing the reform. The research has indicated that the level of profit margins is regarded as negative in relation to the costs incurred, almost exclusively by those branches where official and regulated prices prevail, that is to say, in foodstuffs branches (spirits, fish and processed fish, dairy products, as well as meat and meat products) and in just a few non-foodstuff branches (e.g., bicycles). One could claim that under the circumstances, the trade enterprises are not the market units which carry the burden of irregularities in the functioning of contract prices.

III. Another criterion is enterprise participation in the decisionmaking as far as setting supply factors in motion is concerned. This criterion has been formally fulfilled.

The above-mentioned phenomena of broadening the branch scope of enterprises indicate that the access to purchase of goods has not been just formally facilitated within the framework of the reform. The main constraints on decisions made in that area are due to the distribution of goods, which additionally reduces the freedom to determine the inventory program of a trade enterprise. The ability to set labor and technology supply factors in motion has been determined by the general shortage of these inputs. One should, however, keep in mind the ability to resort to motivation functions as far as the work force is concerned. Here we have in mind the right to fix, within the enterprise, the enterprise pay scale, the rules for grading employees, wage forms, and rules and modes of promotion and assessment of employees, the rules for granting bonuses, the rules for supplementing the managers' salaries.

The enterprises' access to credits in order to fund current stock reserves is more difficult. According to our research, 33 percent of consumers cooperatives, and not less than 56 percent of all the Samopomoc Chlopska cooperatives, point out the difficulties they have in getting credits. In the state domestic trade, all the enterprises find it difficult to obtain credits for funding current reserves. The research failed to find out whether the difficulties in obtaining credit depend on the character of given cooperatives. In case of farmers' cooperatives, however, it turned out that smaller cooperatives, with less retail sales, find it more difficult to get credit.³

IV. One more criterion for an assessment concerns ways of affecting the behavior of trade units indirectly, that is to say, not through interference with the procedure of their choice but through modified conditions of choice. It was revealed that the changeability of tax policies in particular (not the tax levels, but the very tax structure) "destroys" planning and economic calculation in the enterprises, and renders financial planning especially difficult.

V. The final criterion involves providing for external pressure and general correlation of market forces which would create conditions under which an enterprise would be obliged to operate in a determined way in order to change the environment. It is easy to note that the criteria listed above can be discussed separately, but their significance becomes obvious only when the last one is fully accounted for.

To characterize the ongoing correlation of market forces, one has to point out two typical occurrences. The first one involves the supremacy of suppliers in the market channels, and especially the dominant position of producers in relation to trade enterprises. This supremacy appears in connection with all the aspects of negotiation procedures in which trade takes part. The first aspect concerns the nature of supplies. In the present situation the producers can enforce the vaguest description of the nature of supplies, and that gives them ample latitude for putting the supplies together. The second aspect concerns supply timetables. At present, trade enterprises have to accept contracts which allow the

producer to deliver supplies in the last period of the quarter covered by the contract. The third aspect concerns prices. As mentioned above, for a trade enterprise the price, as a rule, is an externally fixed parameter, that is to say, fixed by the producer (contract prices). Since negotiated prices have become more widespread in some branches (e.g., paper, photochemicals, sporting goods), one can only hope that the broader use of genuine price negotiations will become a more general practice in the future. Still, at present, a typical occurrence involves either acceptance of prices fixed by the producer or giving up purchase (it will then be bought by another enterprise). In particular, auctions organized by the producer leave little latitude for price negotiations.

Another aspect of negotiation procedures concerns the terms of supply. In a situation of producer's supremacy it is possible to shift the transportation costs to the trade enterprise, and that, as a rule, would not be reflected in lower prices of goods. Other aspects of supply concern supplementary conditions. Among the drastic aspects of exploiting the situation imposed by the producer's market, there are suggestions for renouncing quality checks. It should be noted that trade enterprises renounce conventional penalties or agree to annul conventional penalties, hoping to compensate their losses by achieving higher profit margins (due to supplies received on unfavorable terms). Other negative occurrences linked to the negotiation procedures include suggestions for interdependent transactions (e.g., signing a contract for supply of fruit wines only if fruit preserves are also purchased), making the transaction conditional on certain circumstances irrelevant for the trade enterprises (e.g., supplying the producer with raw materials and components), making the transaction conditional on producer's preference in buying from the trade enterprise, etc.

We are convinced that administrative or legal regulations can abolish only a few of the above-mentioned occurrences. They are rooted in the ready market and in the monopoly of procedures. Administrative or legal regulations might eliminate some of these occurrences, but only to a degree non-essential for bargaining procedures between industry and trade. Moreover, excessive regulation of such procedures might undermine the already low industrial activity, and in particular might make the links between industry and trade even less elastic. The overwhelming majority of producers have no assured supply of raw materials and components. Frequently they use lower quality substitutes, instead of proper inputs. Those facts cannot justify any blatant cases of producers profiting from their monopolistic position, but suggest that excessive regulation of industrial activity might well result in unforeseeable losses for the overall development of supply.

Further elaboration of rules of the so-called pure trade that ensure certain rights of market buyers might, however, make good sense. But such rules, partly included in the domestic market law, now under consideration, will acquire significance only as the marketplace relationship between supply and demand is modified.

We believe that, objectively speaking, the ready market situation must be reflected in the quality of negotiation procedures. Once the rights and duties of contractual signatories are determined in a general way, trade and industry enterprises must be left free to shape the contracts, in order to make cooperation more elastic and to adapt it to the modified economic conditions. A similar approach would be necessary in any attempt to reduce monopolistic practices in the industry. We believe that monopoly is the prime evil which will always be reflected in the monopolist's behavior.

The main attempt to eliminate monopolistic practices should therefore be focused on undertaking long-term projects aimed at increased competition. Also of long-term importance is the preparation of legislation intended to prevent the emergence of monopolies and to protect competition. We see, however, no prospects for any administrative or legal actions against monopolistic practices.

Another typical phenomenon, characteristic for the ongoing relationship between market forces, involves enterprises competing for supplies. This competition is due to the dispersal of trade units. The proper--as far as the reform is concerned--development of substantive structure of trade, as well as partial implementation of the open market principle have given rise to competition among trade units. This competition cannot, obviously, be regarded as a purely negative occurrence. As the production of goods and services is increased, the competition will favor the flow of goods and services from the area of production to the area of consumption. Once production grows even more, such competition might turn into rivalry for the consumer. But the present competition between trade enterprises strengthens the producer's position. If that is a negative occurrence, it should be treated as a natural phenomenon in the transition period of implementing the economic reform.

The fact that the criteria listed in this paper have not been met, generally speaking, can be explained away as an objective result of conditions appropriate in the transition period. This, however, does not imply any suggestion for idle waiting for the automatic disappearance of such conditions. From the point of view of setting the market machinery in motion, we consider it necessary to continue the analysis of distribution of raw materials and components in industry, and of distribution and rationing of goods in trade. The center should be more unambiguous in setting up strategic targets for consumption, and, in particular, in defining the so-called protected market area. For such protected areas a price system (of official and regulated prices) should be prescribed in accordance with the system of rationing and distribution. The formula for using the system of social consumption to protect the population against the effects of market mechanism should also be more clearly defined.

Footnotes

1. In the polls held in May 1983 replies were received from 52 units: cooperatives belonging to the Spolem and Samopomoc Chlopska cooperative movements, as well as enterprises of state domestic trade.
2. In this case a typical situation obtains when the the area served by a Spolem cooperative covers one small town. Some 75 percent of cooperatives have no more than 70 outlets each, with a joint sales area of up to 4,000 square meter.
3. It should be pointed out that the need to find a reserve of goods kept apart for steered sales (e.g., for the so-called young couples) is another factor which deteriorates the financial situation even more.

12485

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ECONOMIST DEBUNKS 'MYTH' OF KATOWICE AS AFFLUENT ENCLAVE

Katowice TRYBUNA ROBOTNICZA in Polish 22 Jun 84 supplement MAGAZYN NIEDZIELA pp 3,4

[Interview with Professor Dr Habilitatus Jozefa Kramerowa, by Aleksandra Chmura: "Is Life in Silesia Affluent? Ms Professor, Do 'The Sage's Keen Sight and Perspicacity' Confirm the Myths Circulating About the Affluent Life in Katowice Province? It Is Being Said That the [Economic] Crisis in the Province Is More Tolerable or Even Not Noticeable. Perhaps Then the Inhabitants of Other Regions Are Just in Envy of Our Living Conditions as Being Allegedly Better Than Anywhere Else in Poland?"]

[Text] /TRYBUNA ROBOTNICZA interview with professor Dr. Habilitatus Jozefa Kramerowa of the Institute of Economics, Trade Turnover and Services, Economics Academy in Katowice, who is taking an active part in work intended to observe scientifically the changes in the consumption patterns of the inhabitants of the region and the country./ [printed in boldface]

[Answer] In economics the concept of justness can only mean an economic rationality, consonance with laws of economics. As for the myths concerning the greater affluence of life in Katowice Province, they are not corroborated by the studies conducted by, among others, the Katowice Branch of the Institute of the Domestic Market and Consumption. But neither do these studies corroborate that the crisis affects equally all of the country's regions. For rationing, too, does not—of course—make the economic mechanism of distribution more just.

[Question] Indeed, the inhabitants of the other regions are most prone to point solely to the differences in the wage level or, more broadly speaking, in the level of incomes, which are in favor of Katowice Province. And of course, they are right in pointing out to us that, e.g., both in 1977 and in 1982 (see GOSPODARKA PLANOWA, No 2), Katowice Province ranked first in the level of average [monthly] wage: 5,448 [in 1977] and 15,080 zlotys [in 1982]. They moreover add, not without bitterness—I believe—that while in 1977 the difference between the average wage in Katowice Province and the average national wage was 1,023 zlotys [monthly] (about 23 percent), in 1982 it grew to as much as 3,964 zlotys or about 36 percent. However, do their higher personal incomes than in other regions provide the inhabitants of Katowice Province with greater consumption opportunities?

[Answer] Studies of the regional structure of consumption during the years 1980-1982 indicate that, compared with 1974, which we took as the base year, a marked flattening of consumption has taken place in discrete regions of the country along with significant reshuffling of ranking of provinces in this respect. What happened was that, given the use of allocation lists and rationing according to population size and without making allowances for the purchasing power of the populations of different regions--which is contrary to and in absolute conflict with laws of economics--it was chiefly the highly industrialized, so-called affluent regions that suffered the greatest losses. Thus when, e.g., the supply of goods in these regions is completely disproportional to purchasing power, then allocation lists and even rationing not only fail to assure equal access to goods but also do not provide the desired barrier to speculation, unrestrained price increases, decline in the quality of production and other suchlike negative phenomena.

[Question] It is being said across the country that we here in Katowice Province took a steep fall from a high level, and the inhabitants of our province sense in such claims a poorly concealed joy at our having finally fallen to the bottom of the ladder. In words, joy at our common sharing of the same fate, the same crisis and poverty....

[Answer] There is nothing more fallacious than such reasoning. Not only because even now the farming provinces are able to supplement the, let us say, modest ration-card allotments with foodstuffs from their farms. As a result, the rationing of, say, meat caused a decline in meat purchases in the so-called affluent provinces while at the same time leading to an increase, and often a quite substantial one, in several other provinces. On comparing, e.g., the years 1974 and 1982, we found that during that period the market consumption of meat increased in 35 provinces, of which by as much as 86 percent in Chelm Province, 78 percent in Zamosc Province, 67 percent in Biala Podlaska Province, 62 percent in Lublin Province and 59 percent in Bialystok Province. The industrialized provinces in which meat consumption declined include Katowice Province, with a decline of 2.5 percent, as well as the Lodz, Szczecin and Walbrzych provinces.

At the same time, to consider other examples, in 1982 Katowice Province ranked 14th in milk consumption, 21st in the consumption of grain products, 22nd in furniture purchases and 12th in purchases of refrigerators and freezers.

[Question] Thus, rationing or allocation does not make for an equitable consumption in the sense of equalizing the possibilities of access to foodstuffs or manufactured goods.

[Answer] Certainly, it does not. For what we see in operation is [variations in regional] self-sufficiency, the economic laws of local markets and the conflict between these laws and state-imposed market controls. Your question.... It should be expected that the various regions of this country's would be equal from the standpoint of social consumption, which promotes the manifestation of the democratic aspect of socialism in consumption. Perhaps first of all equality of access to store merchandise. In this respect--and it

would be interesting to know whether anyone has guessed it—Katowice Province ranks 49th or last on the list of the provinces! For in this province the number of consumers per sales outlet is the highest. I am referring to the year 1982, following which it is rather difficult to judge whether this situation has improved. It should absolutely be pointed out that the Katowice regional market had and still has, despite the allocation lists and rationing, a much broader scope than might ensue from the province's administrative boundaries. The upsetting of the market equilibrium has resulted in extending to 100 km the radius of the Katowice regional market. Various surveys that we carried out at transportation terminals and in commercial outlets have indicated that during the 1970s every fifth buyer came from outside the province, including about 5 percent from abroad.

Similarly, Katowice Province occupies the 48th or penultimate rank among the provinces as regards access to consumer service outlets and the 6th rank from the bottom as regards employment in trade and services which, considering the number of outside shoppers coming to the province, makes for a rather black picture so far as the access of the province's own inhabitants to goods is concerned. Of a certainty, this is not an enviable situation.

[Question] These figures give the lie to claims that we in this province live high on the hog. Besides, it appears that we also lag far behind other regions as regards other aspects of what is termed social consumption.

[Answer] The findings of studies leave no doubt. It has not been possible to attain equality of social consumption in this country. But where does Katowice Province rank in this respect? Consider, e.g., public transit: we rank 29th among the other provinces as regards the capacity of urban transit vehicles: 84 seats per 1000 capita. In this respect we rank at the tail-end of Poland's largest metropolitan areas (after Warsaw with its 186 spaces per 1000 capita, Gdansk with 109, Poznan with 154, Lodz with 154, Krakow with 167 and Wroclaw with 181), although it is estimated that Katowice's public transit carries 3,300,000 passengers daily compared with 1,881,000 in Warsaw and about 1 million in Lodz. Compared with the Warsaw or Lodz metropolitan areas, the indicator of the increase in the number of dwellings per 1000 newborns—this being precisely how the increase in so-called housing stock is measured in relation to the natural population increase—is only half as high in Katowice. And yet, this indicator does not allow for the tremendous population influx—the highest positive balance of in- and out-migration applies to Katowice Province. For example, given a migration turnover of more than half a million persons, the net positive in-migration to cities in the Katowice metropolitan area was 164,000 persons. Such population movements are unknown in the other regions. Neither is there any doubt as to their negative effect on living conditions in Katowice Province and their unfavorable instability over prolonged periods of time. Consider other examples, such as access to education: Katowice Province ranks 49th—yes, that is so!—in educational conditions. In this province enrollment per teacher in elementary schools is higher than in any other province. The situation is no better when the number of pupils per classroom is considered. Similarly, Katowice Province ranks 7th from the bottom among the provinces as regards the number of inhabitants per theatre seat, etc. Aside from these extreme examples, in other respects

Katowice ranks middle among other provinces--something that I wish to emphasize in order to avoid being accused of tendentiousness.

[Question] Thus these facts point to the glaring contradiction between the views of Silesia as an Eldorado and the realities of living conditions in this region. This is in accord with the observations made by the province's inhabitants when they travel through the country. To consider just one example, on 13 [June 84] I could buy new potatoes in Warsaw at 130 zlotys [per kilo] whereas in Sosnowiec they cost 200 zlotys. At high noon in the Nation's Capital ham was available in the delicatessen shops on Aleje Jerozolimskie, that is, in the very center of the city. I will spare the reader a description of the goods on display in butcher stores, dairy stores or even fish stores in Kielce or Lublin Province, which I was able to observe last May while on a vacation. I will only say that it is easier to buy there boned veal, joints of pork, sirloin, ham or hunter's sausage without standing in a queue than buying in our province frankfurters or ordinary sausage, which disappear like lightning from these stores. Such is precisely, as I understand it, the result of the flattening of consumption as well as of food rationing, which make allowances neither for purchasing power nor the opportunities for greater self-sufficiency available to cities with a well-developed farming hinterland. Besides, of a certainty, microregions differing in the level of their food resources could also be isolated within Katowice Province.

[Answer] In 1981 the aforementioned branch of the Institute of the Domestic Market and Consumption carried out studies of shifts in consumption within microregions undergoing intensive industrialization, namely, the region of the Katowice Iron and Steel Plant as well as Jastrzebie. This is an interesting topic but it would probably require separate treatment. Here only a phenomenon germane to the principal topic of this interview deserves mention: The inhabitants of workers' hostels in these microregions, which are being industrialized with exceptional rapidity, transmitted the following proportions of their earnings to families elsewhere in the country: 27 percent from the migrant workers in the Jastrzebie region and 25 percent from those in the Katowice Iron and Steel Plant microregion. This means that the inhabitants of other regions benefited from part of the high wages paid in Katowice Province. The observations of local markets in other provinces, on the other hand, which we made while traveling across the nation, rather confirm the opinions of economists, substructured on specific findings of studies of households, real market phenomena or factors shaping consumption--and allowing as well for the changes, if not to say irregularities, that arose during the period of the economic crisis. The findings of the studies as well as these observations both demonstrate that we are about to face the necessity of confronting head-on the growing pressure on food consumption as well as on the consumption of manufactured industrial goods. In this connection, it is obvious to me that the regions which gained from the introduction of rationing cannot, after all, be deprived of their gains. The provinces so situated will try to maintain or even strengthen their new positions in consumption. On the other hand, the provinces considered affluent will try at least to regain their lost positions, because only then could they assess positively the emergence from the crisis. Allowing for these social expectations of different regions of the country, it is estimated that the desirable increase in

consumption at present should be about 25 percent, assuming that the structure of consumption and the present wage-price ratios remain the same...

[Question] Ms Professor, you speak so calmly of a 25-percent increase in consumption, but it is common knowledge that it is most difficult at present to the Polish economy to increase the production of consumer goods. The indicators of that increase still persist below the assumptions of the 3-Year Plan for Surmounting the Crisis....

[Answer] I must say something that might sound nakedly heretical considering the keenly felt shortages on the national and local markets. To wit, the--increasingly frequent--attainment or even surpassing of the postulated indicators of the increase in the output of consumer goods does not necessarily imply the society's satisfaction with the improvements in the consumer goods market. It is only an entire chain of real activities such as transport, storage, packaging, refining, and sales and service, that makes the produced goods accessible. And that only on condition that this is accompanied by regulatory actions relating to prices, incomes, credit. We say that the marketplace is the best computer, because it most rapidly assesses everything favorable or bad that is happening in the national economy.

[Question] This does not sound optimistic. Yet after all we hardly are powerless. A reading of the interview you, Ms Professor, granted to ZYCIE GOSPODARCZE reveals that you ascribe to trade a significant role in balancing the market, harmonizing supply with demand. But, Professor, what would be the consequence of your thesis that it is trade that turns products into merchandise?

[Answer] After all, we have the possibility of applying sound economic and market policies. It is this that would revive trade and the entire turnover of goods, which is underestimated and hence also underinvested. (Hence the deplorable state of the facilities of the trade apparatus, the catastrophic condition of the retail trade network, warehousing and technical facilities, the limping transportation, etc.) And yet it is trade that should provide 37 million Poles with properly weighed, packaged, marked, warehoused and refrigerated or stored products. This costs money, but it pays for itself because it results in public satisfaction and is a stimulus for more productive work--with which we all are so much concerned nowadays.

[Question] What then is hindering the employees of the trade apparatus from streamlining their activities? After all, the reform of the national economy has assured the autonomy of trade enterprises and their high profit margins assure self-financing--inclusive of funds for the needed modernization, let alone the opportunities for shaping the market by means of, e.g., modern marketing techniques.

[Answer] I am an absolute proponent of the economic reform and, as such, I find it painful to state that, in a sense, trade remains outside the reform. Although they are of a universal nature, the rules of the reform were designed chiefly for industrial enterprises. I do not intend to go into details about the specific nature of trade and services as a branch of the economy. But the

structure of this branch hardly offers room for the application of the universal, and especially financial, mechanisms of the reform. If the reform's instruments are to apply to trade, there must be a division of powers, and at the same time a feedback, between the central authorities and their regional counterparts, particularly as regards the consumer goods market, whose health is promoted neither by centralization nor by the monopoly position of producers and trade enterprises. And how many fallacious views have been voiced and written concerning the profits of trade. In reality, these profits do not represent net profits but are a source of funds for covering the operating expenses, and only a small part of them represents the net profits of trade enterprises.

Ms Editor, you mentioned the latent, unutilized benefits of marketing techniques to trade. However, marketing refers to the complex whole of the activities of producers, merchandisers and service providers on the market. The principal purpose of these activities is not manufacturing a product but providing the consumer with the merchandise he demands. This is, of course, no idyll but simply acting so as to maximize profits; however, this requires skill, knowledge and consistency. And, well, it also requires economic instruments of compulsion in the presence of an at least partial market equilibrium.

[Question] But it is exactly nowadays, in the presence of such glaring shortages of certain goods on store shelves, that it is difficult to imagine a situation in which marketing techniques could supplant the rationing of consumer goods.

[Answer] Not marketing itself but with the aid of marketing. Well, our imagination apparently leads us astray more often than we might think, bringing us to the cul-de-sac of voluntarism, which has nothing in common with the ability to move in the economic reality, which is ruled by inexorable economic laws.

[Question] Perhaps it is because scientists with their knowledge of that reality find it somehow very difficult to have their views translated into practice?

[Answer] Yes, that is true. My explanation of this is that science deals with laws, enhances knowledge of them, whereas the economic crisis, or even ordinary current tasks reveal irregularities and necessitate emergency countermeasures which obscure to us the measures needed for the sake of the future—and it is these precisely that require information and knowledge. I fear that decisionmakers are ready to lose the habit of benefiting from the knowledge accumulated by science, because the deformations and irregularities that are especially evident during the economic crisis represent only the tip of the unseen iceberg and scientific studies elucidating what is happening deep under the water surface are not utilized. I hope and am convinced that the economy, the economic laws, will prompt decisionmakers to heed the relationship between science and practice, since they cannot effectively exercise power in the absence of information and knowledge, because then they cannot make the right decisions. I similarly hope and am convinced that the

economy and its laws will prompt science to relate to practice, since otherwise science usually lacks the funds for the conduct of research.

[Question] Thank you for the conversation.

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POLAND

BAKA TOUTS REFORM AT GATT, EEC MEETING

Warsaw TRYBUNA LUDU in Polish 29 Jun 84 pp 1, 7

[Article by Edward Dywalerski: "W. Baka's Speech to GATT and EEC: Presentation of the Polish Economic Reform to an International Forum"]

[Text] Geneva (PAP). PAP correspondent Edward Dylawerski writes: At a meeting of delegates from member states of GATT and representatives of the European Economic Commission of the United Nations Organization and other international organizations held at the Geneva GATT headquarters on 28 June 1984, Minister Wladyslaw Baka, the plenipotentiary of the Polish Government for economic reform affairs, spoke about the general trends and results of the Polish economic reform and especially its effect on foreign trade.

This was the first formal presentation of our economic reform to a worldwide international organization. This meeting was called on the initiative of Poland. Its purpose was to point out elements of reform that are increasing Poland's engagement in international trade. In his presentation, Minister Baka gave emphasis to those economic solutions that are stimulating our increased contacts with the international market in accordance with the principles of GATT, of which Poland has been a member nation since 1967.

Among other things, Minister Baka said that the Polish economic reform, the purpose of which is to give our economy a sound basis and to increase our role in international trade, is being realized by increasing the self-management of our enterprises and industries. In discussing the role of the pricing system in improving the activities of Polish enterprises, the speaker also referred to the importance of linking this system to the structure of world market prices. Minister Baka also spoke about the main principles of foreign trade activity of the enterprises authorized to maintain direct foreign trade contacts. He also stressed that the economic reform in Poland could be more quickly realized if the various sanctions and restrictions against our nation were lifted and this obstacle to the development of trade and economic cooperation removed.

Minister Baka's speech was received with great interest by the participants of the meeting.

The same day, Minister Baka gave a press conference to accredited international correspondents at the European headquarters of the United Nations Organization. The conference was dedicated to discussion of the realization and results of the economic reform in Poland.

12261

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SPECIAL INTERESTS OPPOSING REFORM RAPPED

Warsaw ZYCIE WARSZAWY in Polish 27 Jun 84 p 3

[Article by Wojciech Felberg: "The Threat of Reform"]

[Text] The methods being used to overcome the worst economic and social crisis in the history of the Polish People's Republic has become the subject of astute observations and much discussion. Two years of work on improving our economic and social mechanisms has received extremely varied assessment. Some feel that we have already survived the worst moments, that we are slowly emerging from the crisis and that we only need to work for a better tomorrow. Others continue to feel disappointed and frustrated. They not only ignore positive changes that have taken place but also see examples of a return to the old and inefficient forms of administration and management.

From January to May of this year, I addressed many meetings at plants and institutions in our country. Among the participants to these meetings, there was a dominant element critical of the present results and progress in the implementation of economic reform. This group pointed out the dangers that are not only retarding progress in economic reform but also undermining the essence and principles of reform.

One of the worst dangers is the lack of reform in our basic sectors. This concerns employment in industry, agriculture, construction, trade, services and communications. On the basis of practical observation, it seems that the basic principles of economic reform are known and realized very spasmodically and insufficiently in all sectors of the national economy (with the exception, perhaps, of the private sector, which in accordance to the laws of supply and demand has quickly adjusted to the new conditions).

When asked what the realization of economic reform involves, the frequent response of workers and employees is a shrug of the shoulders or an equation of the reform with a spontaneous price and cost of living increase.

The view of some directors and experts that working people look to each reform only a means of increasing their income is also a warped and vulgarized impression. Aside from the desire for an increase in earnings (which is quite natural), people expect a reform to result in good organization of work, thrift,

order, clear wage principles, respect for good effort and a rational cadre policy.

A serious hindrance to the practical realization of economic reform principles is a lack of conviction about the success and permanence of the solutions currently being implemented. Such attitudes are found among workers, technicians, engineers, plant administrative personnel, party and non-party alike. It is an alarming fact that such attitudes are not at all uncommon among the functionaries of worker self-management bodies, unions, youth organizations, creative associations and the personnel of many different levels of administration.

A lack of conviction about the permanence and success of reform is just one side of the problem. The other, considerably more dangerous side is that part of the leadership cadre responsible for carrying out the reform has conservative views opposed to innovation. This cadre, which is used to a directive-oriented style of management, is having great difficulties in making decisions independently.

In economic practice, there continues to be a paradox. This paradox is that the authorities, using legal and economic instruments, are trying to compel economic units to work well and efficiently. On the other hand, enterprises and other institutions are often working against themselves, attempting to use shortcomings and loopholes in the regulations to justify their incompetence, poor management and mediocre performance "objectively." The more successfully specific and hope-inspiring normalization acts are implemented, the more subtle are the methods used to circumvent them.

A considerable threat to reform is also posed by the spreading demands made by various leading groups (so-called lobbies) that are calling out for the adaptation of principles and solutions of reform to the "individual, specific and unique situations" within which only their particular sectors must function. Demands of this type have nothing in common with improvement of the functioning of economic mechanisms. On the other hand, they do speak of a longing for the old practice of using authority to force easy terms. They also attest to the lack of patience and consistency in the execution of reform. This lack of patience and the demand for relief seem to be inspired by the exhaustion of simple reserves in commodities such as material supplies, unused production output, relatively new technological equipment and convenient pricing.

At the present time, the development of many enterprises and branches is dependent upon many problematic factors, such as increasing work output, reduction of production costs, and modernization and improvement of product quality and services. The lack of fixed reform-based economic and financial regulations and the need to take risks is discouraging the management cadres from making effective, long-range decisions. The existing reform mechanisms continue to give preference to on-the-spot action producing modest results in a small amount of time (within a year at most).

Certain demands being made by particular sector and regional groups are a great threat to reform because they can gain momentum and lead to a landslide of further demands. Such demands are a test of the central authorities' patience and commitment to realizing the economic reform. The demands for relief have been fostered by the poorly coordinated policy of the central authorities.

The worker representatives in our plants often express the opinion that the individual ministries and administrations are pursuing their policies in an uncoordinated manner. From their level, it seems as if in a single state, and a socialist one at that, the directors of the central administration have carried out separate wage, price, tax, investment, materials and scientific policies. This opinion was stated by many speakers during discussions at a national conference of union activists at the M. Nowotko Metal Works and at the 16th Plenum of the PZPR Central Committee in Lodz.

Recently, we hear more and more ideas for creating new forms of industrial plant organization in the form of combines, concerns, etc. It must be pointed out that these are not new concepts at all but ones that have been known and used in Poland before. It seems that every effort to improve the economic structure must be considered with due care and caution as well. Under conditions of economic reform, a series of enterprises that have been freed from the authority of heavily bureaucratic associations have come to fear that they will again lose their independence. An improvement of forms of economic organization is required and should be the object of research and study. Activities to reorganize enterprises without their consent or by force can turn the management and workers against reform and therefore have a detrimental effect on the results and effectiveness of economic management.

The central and territorial administrations have great responsibility for consistent and successful implementation of economic reform. Unfortunately, it must be said that it is actually at these levels of economic management that the least progress has been seen. An insufficient sign of reform was the reduction in the number of ministries and central bureaus, their changes of name, the liquidation of some associations and establishment of others. The essence of reform at the central and middle levels should not be limited only to quantitative changes. The problem we face is that some of the central ministries and bureaus are continuing to function in the old way of trying to demonstrate their indispensability and importance by issuing proclamations and directives, most often by telephone. On the other hand, we cannot see in their activities any broader range of expert analytical, consultative or program prognostic work.

12261
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FOOD INDUSTRY GOALS IN 1984 OUTLINED

Warsaw PRZEMYSŁ SPOŻYWCZY in Polish No 2, Feb 84 pp 43-45

[Article by Zdzisław Adamczyk and Kazimierz Placzkiewicz: "Food Industry Goals for 1984"]

[Text] The Sejm of the Polish People's Republic passed a program in June 1983 for the expansion of agriculture and food production management through 1990. Besides agriculture, the program deals with the important tasks facing the food industry, which is supposed to bring under cultivation and utilize effectively all the country's agricultural resources to cover all the public's demands for standard food products. Nineteen eighty-four is the second consecutive year that the objectives contained in the program are being pursued. These objectives will be realized after the generally good results in crop yields for 1983, which have created a favorable basis for both supplying the basic branches of the food industry with resources and improving the fodder base for animal husbandry, thus promoting growth in this critical area.

Crop yields produced 22 million tons of grain, i.e. 800,000 tons more than in the preceeding year. As a result of the introduction on 1 July 1983 of fair purchase prices, the purchase of grains is now running efficiently; the size of these purchases should allow for an additional 3 million tons of grain to be added to a supplemental 3 to 3.5 million tons of imported grain. All of this should ensure a steady supply of grain for the cereal, flour, beer and concentrate branches, as well as improve considerably the supplies to the fodder branch.

The primary task facing these branches is the attainment of an output which completely covers the market's needs, especially for flour products, i.e., white flour, cereals and macaroni. Events are moving in a direction whereby supplies of the above-mentioned products will increase in 1984 in relation to last year's level, resulting in the eventual suspension of rationing. This will also occur as a result of the introduction of retail price hikes for the products of this group.

The large national purchases of rye and the limited imports of wheat are requiring the cereal, flour and baking branches of the industry to increase their production of rye and mixed-grain breads by using large quantities of rye and rather than wheat flours. The fodder branch has the greatest

tasks to deal with in 2 years. This is the result of lagging deliveries of fodder resources not envisioned in the plan, even though it is imports, especially of high-grade albuminous compounds, that will decide the dimensions of production output for this branch. After small imports in 1983, a substantial increase is planned for 1984; this will promote an increase in the production of industrial protein foods by 33 percent. In accordance with the provisions of the 1990 program, 1984 will see an increase in the consumption of vegetable oils. This will be permitted by the relatively good harvests of oil plants in 1983, which yielded 550,000 tons of oil, i.e., 120,000 tons more than in 1982. With supplemental imports of soy and refined oils, 1984 will also see a considerable increase in the production of margarine and cooking oils.

The expansion of plant oil production should replace the losses expected because of the decline in animal oils resulting from the regress in pork production.

We can conclude that the next few years will also see increases in the tasks facing the oil industry and its role in covering the needs of public consumption of cooking and food oils. For this reason, the industry's main task is also a constant expansion of the country's own resources base in this area, the restructuring of our processing facilities, and raising the quality of processed products.

The sugar branch has been experiencing excellent results for 2 years now. As a result of our 1983 campaign, we expect that sugar production will reach a level of 1,850 tons this year. We will thus be able to satisfy totally all the public's needs without rationing and providing all the individual branches of the industry that use sugar with whatever supplies they need. This applies especially to the processing of candies, cakes and cookies, and food concentrate branches which are systemically improving their assortments and quality of their products on the market.

With regard to the shortage of chocolate and chocolate products, we still have to rely to a considerable degree on imported cocoa beans and cocoa-like resources for satisfying the market's needs. We have adequate amounts of molasses, and this will permit us to meet the requirements in the production of yeast, citric acid and other sugar-based products of this type.

To maintain previous levels of products produced from sugar, 1984 will see an increase in the production of sugar beets; we will produce approximately 16 million tons this year.

We must emphasize that the high sugar production capacity of 1983-1984 is what our program for 1990 calls for. There will be, however, shortages in beets, and the industry will be required to cover these shortages with a high level of production competence in the sugar mills; the mill may also be required to cultivate their own sugar beets nearby so that periodic shortages in deliveries can be covered with their own resources.

Important objectives have been set for the potato branch by the 1990 program; this branch produces many indispensable products for several other branches of the food industry, i.e., starch, syrup, glue, dextrin and others. In 1983 this branch, as a result of a somewhat better harvest than in 1982 and a more efficient purchasing policy and arrangement of prices, built up supplies and resources to meet completely all of the industry's demands and task its production capacity totally.

As a result of the total utilization of the capacity, new objectives have been set for 1984. This year should also see a significant increase in the production and market delivery of fruits, vegetables and their by-products. The production of frozen fruits and vegetables, as well as that of frozen meals, is to be increased. As opposed to 1983, there is a chance this year to increase the production and delivery of children's foods with dairy products, cereals, Bobo-fruit and bread without gluten in powder form for sick children.

Market deliveries of pure and high-quality alcohol products will remain at the 1983 level which should, despite the anti-alcohol campaign, cover the rising demand by producing various kinds of beverages. On the other hand, deliveries of beer and non-alcoholic beverages will be increased.

The year 1984 should see an increase in the deliveries of cigarettes of up to 88 billion units, i.e., 6 billion more than in 1983; this should, despite the anti-cigarette campaign, meet all needs, especially for the less expensive brands.

We can state unequivocally that the crop processing branch of our industry, which has a great impact on meeting market requirements, is carrying out favorably the tasks outlined in our program. A more complicated situation is emerging in those branches which are dependent on animal by-products.

The serious declines of 1983 in swine and cattle production are now setting the production levels and market supplies of meat and its products. According to figures published in June 1983, the year was seeing a decline in farm swine by 20 percent and cattle by 5.4 percent in comparison to 1982 levels.

Figures from the third quarter of 1983 definitely indicate that the decline has been halted, but a steep decline in pigs and piglets, as well as the resulting further decline in swine reproduction, indicate that the first half of 1984 will see fewer porkers sold in comparison to 1983.

In this situation, we foresee a level of pork procurement in 1984 lower by 100,000 tons than the level of 1983.

The resulting decline in cattle for slaughter is also having an impact on the reduction in 1984 of beef purchases by more than 100,000 tons. To make up partially for the declines in beef and pork, 1984 will see a greater production of broiler hens as a result of decisions made in the second

quarter of 1983. The size of this production will depend on the deliveries of poultry feed.

This situation is presenting the meat and poultry industries with increased requirements with regard to the economic management of meat and poultry and their products. Despite the shortages of meat in 1984, rationing will provide enough for everyone.

We have to stress that with regard to the serious recession, particularly in the number of swine, the level of individual consumption per capita will be lower in 1983-1984 than was originally planned. We figure that improvements in meat products will not come before 1985, when animal production will have had a chance to recover.

In accordance with program provisions, animal production will be expanded on an ever-increasing scale as a result of efforts to create a countrywide fodder base; this should guarantee fodder's greater stability and ready supply.

For the purpose of supplementing animal protein in 1984, deliveries of milk and its products, as well as of eggs, will be increased. Particularly difficult tasks have to be undertaken by the dairy industry, which has been struggling recently with a lack of processing facilities, while demand for dairy products has been increasing systematically; this ultimately prevents the total utilization of milk for food needs. Provisions for 1984 indicate that, like 1983, the cereal-flour, sugar, potato, oil, tobacco, and dairy industries will be utilized to their fullest capacities. The rather poorly developed processing capabilities in these industries are the greatest barrier to their further expansion. The basic reason for this is the lack of money. Recent systemic developments do not permit an accumulation of funds or resources for expansion in a majority of the food industry's enterprises.

Incomplete utilization of production capacity occurs, on the other hand, in the meat, poultry-breeding, fodder and can industries. Also not fully utilized is preserved meat, vegetable-meat and vegetable processing production because of the shortages of tin cans. It is estimated that 1984 will see only 57 percent of its tin can needs covered, while plastic wrapping needs will be covered only up to 60 percent. Within the framework of the conservation programs adopted in 1984, we will see many efforts directed to improving agro-food technology and processing sidelined by attempts to achieve resource and material, energy and fuel conservation; this is supposed to permit a greater amount of food to be produced with less resources expended.

Within the framework of these actions, extremely new technologies will be introduced at several wheat processing plants, i.e., new machinery and methods; this will lead to greater production of white flour from the wheat processed or a reduction in production costs. In the plants of the potato industry, a new process for producing starches for the needs of the sugar, baking, food concentrate and dairy branches will be initiated.

The increased production of these products will permit a gain in hard currency savings. Efforts will also be undertaken to introduce new herbal drugs and medicines, thus partially reducing dependence on foreign drugs and medicines. Efforts will also be made to continue utilization of bone meal on the basis of new technologies and instruments in the processing of food and photographic gelatins. This will permit a considerable recovery of treated meats and food oils, as well as a reduction in gelatin imports.

For the purpose of cutting losses in the processing of sugar beets, the sugar mills in Ropczyce and Warbkowice will continue to introduce newly modified technologies for the purification of juices from beets at lower technical costs; this should increase the amount of production we get out of sugar.

The fruit and vegetable industry plants in Jasla will continue their efforts with pectin technology and enzyme derivations; this should increase the production of pectin and enzymes and reduce hard currency expenditures. Nineteen eighty-four will also see the introduction of new machinery and appliances in the food industry overall.

The important goals facing the food industry indicate that this year will not be easy and that for several branches of the industry it will be even more difficult than 1983 was. The accomplishment of these goals will require flexible action with regard to the resource-supply and market situation.

With regard to the weaknesses in the production capacity of several branches, an increase in production and an improvement in its quality will have to be achieved largely without investments, i.e., through the application of technical organization, know-how, reduction in waste, canning procedures, and storage, as well as total utilization of production residues.

12247

CSO: 2600/1061

BRIEFS

DEVELOPMENT OF SHIPBUILDING INDUSTRY--Bucharest ACERPRES, 16/7/84--Shipbuilding has developed powerfully in Romania, particularly in the last 15 years, as an outcome of the application of a special shipbuilding programme worked out at the Ninth RCP Congress (1965). Ship production has been extensively updated. The shipyard in Constanta got specialized in the building of 150,000-dwt tankers and 65,000-dwt ore carriers, that in Galatia builds 55,000-dwt ore carriers, general cargo vessels, tankers, refrigerator ships, offshore drilling platforms, while the shipyard in Mangalia--the country's most recently built one--got specialized in the building of 65,000- and 55,000-dwt ore carriers and 80,000-dwt tankers. The shipyards on the Danube built small- and medium-tonnage vessels, towing and pushing tugs, ships specialized in containerized transport, trawlers and other types of vessels. In Braila, for instance, various cargo vessels with tonnages of up to 20,000 dwt as well as river-going barges of 3,000 tons are made, while in Drobeta-Turnu Severin and Oltenita cargo vessels and tankers of up to 7,000 dwt and respectively, river-going ships are built. At present, the Romanian shipbuilding industry makes some 100 types of vessels, of which over 70 are new or updated. [Excerpts] [AJ161354 Bucharest ACERPRES in English 1251 GMT 16 Jul 84]

CSO: 2020/103

CONFERENCE ON CROATIAN ECONOMIC FUTURE

Zagreb DANAS in Serbo-Croatian 5 Jun 84 pp 4-8

[Article by Ivo Jakovlevic: "What Will Become of the Socialist Republic of Croatia?"]

[Text] The challenge of the global information revolution is today confronting Croatia, as well as the entire Yugoslav economy, with what is still a wide open question: When we pay off the greater part of our foreign debt, will we find ourselves in an even more serious crisis?

In weather jargon the 2 days last weekend could have come under the code phrase "variable cloudiness" in terms of the view from the fine old Kvarner Hotel in Opatija, where our top-flight scientists were gathered at a symposium on developments in the Republic of Croatia to the year 2000-- "what happens further down the road" being dependent on those developments. And those 2 days might end up being quickly forgotten; however, they might be long remembered as a result of what transpired here during that time. We are led to make the latter assessment specifically because of the main question of strategy which was posed following the presentation of many pieces of research. The question was presented in terms of doubt but also as a veiled scientific forecast with an alternative: Will Croatia, and the entire Yugoslav economy as well, just when we are paying off the greater part of our current foreign debt, find themselves in an even more serious crisis--an economic, but also a political and social crisis?

Behind this doubt, expressed in a condensed fashion and in the style of the eternal "to be or not to be," there do indeed lurk many possible answers to the question being posed here and now to the Yugoslav economy, and in an increasingly aggressive way, by the challenge of the so-called global information revolution in the world's deeply troubled economic, political and military power relationships. Thus, the Opatija symposium on the scientific foundations of the long-term development of the Socialist Republic of Croatia to the year 2000...was one of the first comprehensive attempts to inject material content, which is to say more concrete social content, into the frameworks of change in the economic system and in economic and, above all, development policy.

The scientists assembled for the "Croatia to the Year 2000" project were from about 20 research institutions; and in their striving to find the optimal formula for fitting Croatia into the international division of labor, they pointed to the crucial condition sine qua non for accomplishing that goal as involving both Croatia's view of the division of labor within the Yugoslav market as a whole, and also involving most of the methods essential for accomplishing the substance of that division of labor in the Yugoslav economy and in Yugoslav politics. However, they also attempted to give a realistic picture of the answers to the classic questions: Where have we come from? where are we now? where can we, and want to, get to?

Initial Response

All of this, of course, will be by way of providing a basis for generating the republic's new 5-year development plan for the period ending in 1990 and a basis at the same time for the formulation of the concept for the long-term development of Croatia and the entire country up until the end of the century. This gathering was in its own way a continuation of a similar one held way back in the summer of 1979 in Zagreb, on the same subject and with the same time perspective. Naturally, many of the results of the scientific assessments of that earlier session were built into the most recent 5-year plan, much of the forecasting of which still holds even today. However, in the meantime all sorts of things have changed in the economic situation in our country and in the world. When discussion on the same theme was engaged in 5 years ago within a similar group of top echelon experts, the monetarist concept of economic policy vis-a-vis the domestic and external situations in the world's most developed countries had just begun its offensive. And at the time, unfortunately, little was known in our country (or else some assessments weren't sufficiently heeded) regarding the heavy burden of our debts and the long-term dangers added to them by an autarchic import-oriented concept of overall Yugoslav development and hence such a concept for any republic, province, or municipality.

The initial solid response to our economic crisis at the beginning of the 1980's was in fact the "Long-Term Economic Stabilization Program," which was worked out between 1981 and the summer of 1983. That key document, as Dr Jakov Sirotkovic appraised it in Opatija, "reaffirmed the constitutional rights of an associated labor entity and the basic stands in the League of Communists program documents, and it offered a broad platform for the approach to social action." However, it is well known that in both the preparation of the stabilization program and in its implementation many different opinions and politico-economic approaches were revealed. Jakov Sirotkovic made a fairly broad assessment concerning that: "In Marxist economic theory there is no debate regarding the change from private to social ownership of the means of production being the essential presupposition for the realization of production relationships in which the problem of worker alienation from working conditions and work results is resolved. However, problems arise in finding genuine solutions for the accomplishment of that objective. It can be said that the conditions in which socialism developed in Yugoslavia were favorable for theoretical perceptions concerning the self-management transformation of society as well as the presupposition

of free association of producers. However, along with total determination to move constantly in that direction, currents of resistance were demonstrated which came from interests concerned about defending positions they had gained or restoring previously dominant relationships. The theoretical basis of this latter theme is, above all, crude and apologia-type economics of state socialism and state capitalism. Such pressures also existed previously, but never have stands on the part of individuals attempted to impose themselves on society with so much aggressiveness and abusiveness as in very recent times."

So wherein lies the debate? Sirotkovic recalls that "along these lines there are theses very much in evidence concerning the political and economic system of socialist self-management as a utopia, theses in accordance with decisions made from 1974 to 1976, which come down hardest on, in particular, the Basic Organizations of Associated Labor and the functions of the republics and provinces. Recommendations thus are made for the introduction of central state regulation at the federation level in the investment area, and also in profit acquisition and the reestablishment of integrated capital, labor, and commodities markets. And in fact up to now, alienation from decisionmaking concerning resources for expanded reproduction has also preserved the permanent domination of banking capital and the yoke of bureaucratic and technocratic forces in society. Therefore, the ostensible arguments on the part of the protagonists taking the above-mentioned stands are in contradiction with the truth, just as the causes of our problems should be sought in the economic system."

Wish List

Also Dr Dragomir Vojnic presented a similar assessment of the time frame as the Yugoslav, and in this case the Croatian, economy moves toward the year 2000. He stated that "the main obstacles to a faster take-off into the 1990's lie in the high level of foreign indebtedness, slow economic growth, and high inflation and unemployment, which on the one hand, are the result of some particular decisions in the economic system and in former economic policy, just as on the other side of the coin, the source of the crisis was in the autarchic concept of development." Is not, therefore, science also partly to blame for those sorts of consequences? Continuing his analysis of the development period, Dr Vojnic also answered that question, asserting that "previous development policy was not in reality like it was on paper." At the same time, "the role of science per se was underestimated and that was reflected in the making of individual decisions in the economic system." Dr Vojnic emphasizes that because of all of that associated workers have been "deprived of being elements in both the market and planning, and economic conditions have been defined by administrative organs instead of by them. Therefore, all of that created illusions when making many investment decisions, and precisely because those decisions resulted in big failures in the area of expanded reproduction." Finally it even happened that plans became their own sort of wish lists, which during shortages of domestic savings were financed by inflation inside the country and credits from abroad.

And therefore, by 3 years ago the assessment in our scientific and political and economic circles was that the phonograph record needed to be turned over. In the meantime, both the stabilization program and a detailed framework of changes in the economic system and economic policy have been completed. When the time comes for the preparation of new 5-year development plans for the country and each republic and province, particularly for the period starting in 1990, in accordance with the latest scientific forecasts, it would be enough if the development of half our economic resources were coordinated within the structure of the unified national market for the entire economy to operate in stable fashion. But what kind of substance should flesh out those plans? By what developmental directions is it possible to get the Yugoslav economy as a whole out of this crisis? How do we keep pace with the technological revolution in the world's most highly developed countries, so that after we pay off our debts things won't be even more difficult for us?

Indeed there are assessments that, specifically because of Yugoslavia's limited development, the consequences of which were excessive borrowing in past years, and because of its declining pace of development, the country cannot expect before the end of this century to enter into more solid development in electronics and data processing in all areas of the economy. Many of our experts tie into those assessments a picture of "technological disaster," in which the country could be completely dependent for some 20 years on importing, like some kind of technological colony. Without very great exporting capabilities. At this point in time the main question in the long-term development strategy of Yugoslavia and of each of our republics and provinces is how to avoid that danger.

Dr Bozidar Francic felt that "an export orientation for us today and in the future simply means not that we must get onto the world market with a greater share of many kinds of products but specifically that we must do so with our own knowhow and technology." What that translates into, in view of the fact that in the above alternative the human factor is the main element of production, is that reliance on one's own strengths in terms of long-term development would specifically mean developing electronics and data processing, not just as particular branches of industry but also as so-called economic infrastructure--as the backbone of the Yugoslav economy.

Engines of Development

And where are we today when it comes to data processing and electronics, and to knowhow, as well as our particular appreciation of that above-mentioned human factor, and software? It should be noted first of all that sales of equipment and means of transportation as means of technology transfer have only half the share of our total exports that they do in many European countries. And one can mention in passing, for example, that the value of electronics production per illustrious head of population in Croatia is one-tenth what it is in the European countries. Neither has our human knowledge factor kept pace with the trends in the more developed countries. We have 1 researcher per 1000 employed persons, but a rational number would be 35, or, in more specific cases, even up to 50 per 1000 persons employed in the larger economic organizations, which are the engines of development.

Because of all this, according to the thinking of Dr Francic, electronics and data processing in fact must be specified as the main development directions of the Republic of Croatia and of the entire country (which must certainly not be permitted to create special financial problems, because we are talking about relatively minor financial resources in the initial phase). After all, in the world today those industrial sectors are the main filters for a solution to unemployment, for the blossoming of tertiary and quaternary sector activities in general, and for acceleration in the process of socialization of the means of production, of communications, and of social management. If we are not successful in all of this, developing our own technological solutions in gradual fashion as an organized society, we might, as we heard in Opatija, be facing the threatening danger that, by the logic of things, multinational companies will insert themselves through wide open doors into that area of our country's economy.

Of course all of the foregoing was not the only aspect of the symposium's look toward the year 2000. In the case of Croatia the scientists estimated the republic's rate of economic growth for the entire 1980-1985 period would amount to barely 1.3 percent, and by 1990 would grow to nearly 3 percent. Only after 1990, when we can count on having less of a burden in terms of limitations on development because of foreign debt, could the economic growth rate reach the dynamic annual level of approximately 4.5 percent! Hence, in the last 20 years of this century we might get an increase in the social sector share of the republic's social product, from 89 to nearly 92 percent. And in general, the main direction of development will continue to be an industrialization trend, and so industrial activities as a whole would most probably have to have unusually high annual growth in production and employment.

The fastest growth in Croatia's economy between now and the end of the century will, in terms of the above-mentioned concept of development, be in electricity generation, machinery construction, traffic facilities, processing of nonmetals, food, and chemicals. Continuing to rank as important in spite of all those changes in the economic structure will be the oil industry, the electrical industry, shipbuilding, and the traditional export sectors in the wood, shoe, and textile industries. Still growing rapidly will be tourism, agriculture, handicrafts, and commerce and small business in general. However, gradual reduction will probably occur in the shares of civil engineering, forestry, private sector agriculture, some areas of commercial activity, etc.

In a Common Sphere

Of course that way of fitting the Croatian economy into world economic currents must on a prior basis become part of an already thought-out Yugoslav-wide concept of the country's development up to the end of this century. And as Ante Markovic, among others, remarked at Opatija, it is not possible to get better references for jobs in the world without previous experience in relevant undertakings within the Yugoslav market. And by the same token it is not possible either to rely on any production lines which would be limited to the geographical area of a republic or region.

It is not possible especially if the objective of our economy as a whole, and particularly the economy here in Croatia because of its structure, is to soon export as much as 50 percent of its industrial product to the world market!

Markovic's assessment is that it is an "illusion without precedent"--the attitude that we have enough of everything, especially foreign exchange, and that we just "have to distribute it more fairly according to some sort of new formula." Simply put, it can be concluded that neither the stabilization program nor all possible changes in the economic system and in economic policy in and of themselves can bear fruit if the jobs, the know-how, the aims, and the common and united development interests of the Yugoslav economy are not behind, or even better, out in front of them. Because of all of this, in associated labor and in the highest delegate and economic bodies in the federation answers should soon be found to the many concrete questions, and those interests should be reconciled in terms of development dilemmas, so that for example, we no longer have three electricity generation technologies in nuclear power plants, or four technologies in telecommunications, within what is anyway a rather small Yugoslav area. And there are too many of those dilemmas and development interests in a Yugoslav economy which is still organized in a fairly old-fashioned way.

That Yugoslav aspect of viewing development potential in Croatia up to the turn of the century is indeed elaborated quite extensively in the Scientific Foundations of the Republic's Long-Term Development to the Year 2000 scheme. We would mention a somewhat detailed assessment, according to which "in this kind of approach to the Yugoslav division of labor four aspects in particular stand out. They are: first of all, the need for a common policy of infrastructure development; next, overall divisions of labor in Yugoslavia under conditions of a unified market; also, industrialization as the key method of general development; and, lastly, universal criteria for foreign currency dealing within the domestic economy."

Indeed, it was felt that within the structure of common development policy in Yugoslavia those common development interests must be coordinated particularly in energy, and also in all infrastructure activities--from railways to PTT [Post, Telegraph, Telephone]--and in addition production and processing of metals, from metallurgy to machinery construction and electronics. Also basic chemicals, and agriculture, and a common strategy of scientific and technological development in general, as well as protection of man's environment, must be in that sphere of common interests. Well, how is that common interest over a unified Yugoslav geographical area arrived at?

Opportunity of the Moment

Written in the above-mentioned scheme is the following: "A practical policy should be established out of the particular characteristics of each of those common areas of development interest, through SFRJ social compacts and social plans, but in a fundamentally different way than heretofore. The rights of republics and provinces are in fact

constitutionally established to independently define their economic development, and to manage their revenues and natural resources; however, in tandem with those rights there also exist limitations along those lines (which have not been taken sufficiently into consideration up to now) which result from the rights of economic entities outside republic and province jurisdictions as well as from constitutional and other obligations in connection with the unified market and obligations on the federation level. Up to now the republics and provinces have set themselves up as excessively emancipated entities regarding a large number of issues and in terms of development. The compact process has to a considerable extent disregarded economic entities even when it was occurring in an area of their interest. An additional fact is that there was not sufficient measure of such programs with the characteristics of Yugoslav-wide associated systems. There are various reasons for this, among others economic conditions and economic policy; but in no way does that mean there did not exist interconnection of interests in Yugoslavia's economy."

Judging by everything, a great deal has started to change in these last few years, and particularly during this year, in our economy and in science and also in political trends. It should be mentioned that similar long-term development plans to Croatia's are in preparation, or are already completed, in our other republics and provinces, just as all sorts of things of that kind are "in process" at the federation level as well. What still remains, therefore, is for all that development potential and those development interests of ours to be placed on the same table, for them to be weighed against each other, for the right balances to be found, and at the same time for work to be continued--in the spirit of the Long-Term Stabilization Program--on changes in the economic system and economic policy, in order for both those changes and an aggressive export-oriented concept of Yugoslavia's development to be the sole economic, political and social trend of changes which will get us out of this crisis and bring us to the turn of the century with as little stress as possible.

These are the opportunities of the moment which, judging by everything, will not just remain "paper" opportunities.

[Insert by Gojko Marinkovic]

How Self-Management Should Be Grafted

With regard to what was presented at the Opatija meeting, many have said that it was an unprecedented project, that we are talking about a pioneering undertaking, and the like. For a journalist, and any other participant, it is difficult to make a valid assessment of that huge quantity of paper in which several years of labor have been invested and which has resulted in a more than 1000-page book plus 31 offprints, some of which are not any thinner. It would be useful to be a "walking encyclopedia" to engage in an examination of the value of this project, which contains forecasts and development planning for all segments of the republic's economic activity and social life--from industry, agriculture, energy, and mining, to education, and culture, and of course, electronics and data processing. One of the questions that has to be asked after this conference and which at

the meeting itself was almost avoided, or only superficially mentioned, was: What was to happen to self-management in all this business? Or more specifically: Is everything that Croatian researchers and "futurolologists" have forecast within the functional context of self-management--is there first of all a set goal and then a set desired development for it, or is self-management what gets "grafted" onto the forecast rates and figures?

At first sight the question seems rhetorical, but in reality the future of our political system depends in a fundamental way on the answer--and in this case it is not just Croatia's political system but the entire country's, because the general development goals of this republic are determined by the general goals of the country, which stem from the basic values and orientations of our society. Therefore, economic development is not in itself the end or the means of social power for individuals or groups, but rather it must be a stable and broad foundation for progress in the material conditions of life and work, and for raising the level of the culture, health and security of the people. The development of a socialist self-management society is one of the fundamental goals which permeates all the other long-term development goals. Those ideas are also written in the basic document of the Long-Term Development of Croatia to the Year 2000 project, but the dilemma still remains as to what comes first, the chicken or the egg (self-management or development).

There are a whole lot of reasons for this dilemma. Let us start, by way of example, with the assertion that the steam engine did more than "class struggle" did to liberate the working class. How much would the computerization or the electronification of production contribute by way of further big steps in liberating the working class? One might say as a possible answer that yes, self-management seeks educated workers, but then that is a project for the 21st century and not for the end of this one. However, can we allow ourselves to lag behind the world due to fear of technocracy? Can we close ourselves off for fear that modern technology will bring us even more alienation? What person would assume the risk of such a decision, and is he at all in a position to foresee the consequences of such a determination? The dilemmas are great, but there is no other way for us other than to accept the global challenge and offer the world self-management, understood as not just meaning worker participation, as an alternative.

Indeed in its response to these dilemmas the Opatija conference was at its weakest; it avoided direct answers and the questions were only timidly asked. Certainly, as a part of the scheme it presented there also was an offprint which bore the title "The Managerial-Political System, Sociopolitical Organization, and Development"; however, that offprint does not just, as one would say about a school dictionary, miss the point: it contains a whole series of imprecise, unsubstantiated, and unacceptable opinions. The authors (Dr Eugen Pusic, Dr Stipe Ivanisevic, Mr Josip Kregar, Zeljko Pavic, Dr Milan Ramljak, and Ivica Simonovic) thus assert that a fundamental place in the decentralized network of political institutions through which a pluralism of interests are expressed belongs to the republics in their capacity as the national states of the peoples of Yugoslavia, and the

provinces aspire to a similar position in connection with the nationalities which live in them. They go on to say, "The entire network should be integrated by the central political organs formed on the delegate principle, the Federal Assembly and the Presidency of the SFRJ. In actuality the main burden of integration still falls on the dominant political organization, the League of Communists of Yugoslavia, which to a certain extent maintains, in conflict with its own program direction, its former position from the time of one-party dictatorship."

This quote is not just in conflict with the concept of the entire conference and project, because it continues to stick to the theses of eight interests, which is to say that it pleads for republic economies--and there is not a word referring to associated labor and really it all boils down to private agreements--but also it misinterprets our postwar development, calling it one-party dictatorship, and finally it defines the role in the system of the League of Communists in a completely incorrect manner. In the aforementioned material it is also said that the "(political) elite, even though it is the principal official patron and champion of the movement toward self-management decentralization, remains at the same time the main potential opposition to that movement, in the form of bureaucracy, or more exactly politocracy and technocracy in work organizations [enterprises]. Potential mass support for such opposition does not stem from remnants of earlier ruling classes and groups but rather primarily from the dissatisfaction which an insufficiently open political regime is still unavoidably accumulating and which normally escalates in moments of noticeable trouble and crisis. Along with this there exist orientations in society which, for this or that reason or interest, are more inclined toward the authoritarian than the democratic patterns of the political system. However indistinct and unarticulated, those orientations represent a potential store of opposition to self-management decentralization. Control over surplus labor, in work organizations and in society, is of course one of the most important sources of power, so therefore real decentralization of that control represents an important means for the neutralization of the forces in opposition to self-management. It seems, however, that in that regard the monopoly on political organization, which is held by the potential opposition elite, and the monopoly on government power, which ultimately follows behind, are critical factors." The group of authors concludes, "In this kind of situation, the fate of self-management decentralization in Yugoslavia is, politically and historically speaking, an open question."

We could provide additional quotes of a similar nature, but these two seem to be sufficient for one to see how "seriously" this exceptionally important dilemma has been tackled in the framework of planning for the future and to see what kind of completely "scientific" offprints can be produced when they are entrusted to people who do not even understand what their basic assignment is.

However, this offprint is one more confirmation that we have to ask real questions, frankly and courageously, and no matter how painful that may sometimes be, so that in the end we find out not just what we are against but

also what we are for. It is not enough just to know what percent growth we want but we must also know what that growth, along with the path leading to it, will give us, and, finally, what (kind of challenges) the "Croatian challenge to the world" will give to Yugoslavia.

9631

CSO: 2800/363

ECONOMIC COOPERATION BETWEEN SERBIA, NEIGHBORING COUNTRIES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Jun 84 p 2

[Article by Nurka Basic: "Economic Cooperation Between Serbia and Neighboring Countries--A Significant Share of Total Economic Exchange"]

[Text] With a 35.1 percent share of Yugoslavia's total economic relationships with neighboring countries, this republic's economy was the largest partner of these countries last year. This share has been reduced during the first 3 months of this year, however, although the total volume of exchange has increased.

Serbia's economy has a significant share in Yugoslavia's total economic collaboration with neighboring countries. For example, last year this republic's share in total economic collaboration between our country and neighboring countries was 35.1 percent, although the total exchange value increased insignificantly compared to what was realized a year earlier. More precisely, it went from 1.3 billion to \$1.31 billion, an increase of only \$10 million.

The most important partner of the neighboring countries for Serbia's economy is Italy. Last year, exchange with Italy made up 37 percent of the republic's total exchange with neighboring countries, and exports to this country were valued at \$210 million. Hungary was the second largest trading partner with Serbia in amount of exchange last year with 26 percent, and Austria was third with 12 percent.

Italy--Most Important Partner

The value of Serbia's exports to Hungary last year was \$165 million, to Rumania it was \$75 million, to Bulgaria \$58 million, to Austria \$51 million, to Greece \$41 million, and to Albania \$12 million. The order of Serbia's trading partners with regard to level of import exchange was about the same. Italy held its traditional position of first place among neighboring countries in the level of imports received with a total of \$272 million last year. Hungary was second with an import level of \$175 million last year to this republic, and Austria was third with regard to imports with \$106 million. Goods worth \$64 million were imported from Rumania last year, \$43 million came from Bulgaria, goods worth \$25 million came from Greece, and \$13 million came from Albania.

Serbia has the most developed economic collaboration with Italy and Hungary, with regard to the fact that these are the countries with whom Serbia's economy has the most developed long-term forms of collaboration. However, in the total structure of exports to neighboring countries, highly processed products are still inadequately represented, although the fact that an increase in the export of industrial products has been noted during the last 2 years, along with a simultaneous reduction in the import of highly processed products, is encouraging.

On the other hand, agricultural products were the largest export item from Serbia to the neighboring countries in 1983, with a 15.9 percent share in total export. Chemical production was the second largest item with 10.7 percent, and transportation equipment was third with 10.2 percent. Metal and nonmetal products made up only 3.8 percent of total exports, textile products 2.5 percent, and construction materials also 2.5 percent.

Agricultural products and transportation equipment were the largest items Serbia exported to Italy, chemical products, textiles, and metal and nonmetal products were the largest export items to Austria, and meat and transport equipment were the largest items going to Greece. The greatest value of exports going to Bulgaria last year was realized in the areas of ship exports and transportation equipment exports, to Rumania in the export of chemical products, to Hungary in the export of chemical products, automobiles, and automotive motor parts, and to Albania in the export of manufactured products from metals and nonmetals, and chemical products.

A Trend of Increased Exchange Levels

During the first 3 months of this year, an increasing trend in the total volume of exchange in goods exchange between Serbia and the neighboring countries is apparent, but a decline in the republic's share in our country's total economic collaboration with the neighboring countries is also noticeable.

Thus, Serbia's total exchange with the neighboring countries during this period increased by \$34.5 million over the same period last year, but its share in Yugoslavia's economic collaboration with the neighboring countries was lower by 1.8 percent compared to the same period in 1983. Exports increased by 32 percent and imports declined by 3.2 percent which resulted in the level of imports being covered by exports increasing from 91.2 percent for the first 3 months of last year to 124.3 percent for the first 3 months of this year.

However, although this level of exchange is growing, it is disturbing that during last year the share of long-term production cooperation in the total exchange of goods with neighboring countries declined. This is the case especially with Italy in matters involving this sort of cooperation. From an 11 percent share in total exchange between Serbia and Italy in 1982, these forms of cooperation have declined to an 8 percent share. Problems involving the renewal of the agreement on mutual

investment between the Crvena Zastava Company and Fiat have contributed the most to this situation.

Of course, also meriting special analysis is the fact that except for many years of successful collaboration between Crvena Zastava and Fiat, the economy of Serbia has not been able to conclude any similar major arrangements with Italian firms for 30 years.

These types of arrangements, especially in the areas of production of machinery, the chemical industry, and the agricultural-industrial complex, might be able to be far more widely represented in economic collaboration between Serbia and the neighboring countries, with both sides benefiting. On the other hand, it is indisputable that great opportunities also exist for joint investment in neighboring countries which Serbian work organizations generally do not take advantage of on a practical level.

It is apparent that these areas of collaboration lag behind compared to the development of total economic collaboration between Serbia and the neighboring countries, most of all thanks to the lack of agreement and uncoordinated behavior of the immediate principles. Otherwise, it has been shown that their coming to an agreement would necessarily be very important and beneficial for the development of collaboration with neighboring countries in the areas of energetics, the agricultural-industrial complex, the chemical industry, the motor and automobile industry, transportation, tourism, etc.

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CONCERN WITH FACILITATING FOREIGN INVESTMENT EXPRESSED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1745, 10 Jun 84
pp 14-16

[Article by Stevan Niksic: "Perspectives and Prejudices--Foreign Capital in Yugoslavia"]

[Text] When the door to foreign capital was opened a little for the first time, it was believed that it could bring a twofold benefit, to domestic self-managers and to foreign capitalists. Caution and certain ideological prejudices, however, have been a stronger force than ambition. Now, it seems, the time has come to change a few things in this regard.

Several days ago, news began to leak out concerning negotiations between Zastava and Occidental Petroleum, a company from Los Angeles. According to information which is still not official, the Jugo 55 might be able to jump across the Atlantic. Almost unbelievable figures have been mentioned, big enough to make one dizzy. In short, the plan means that U.S. capital might come here, and that Yugoslav automobiles might head in the other direction.

Ambitious projects of this nature have occupied Yugoslav businessmen and politicians since the mid-1960's. At that time there was an economic reform going on which, as everyone knows, for the most part ended ingloriously. Ideas about opening the door to foreign capital appeared for the first time then. It was believed that foreign capital, invested in the Yugoslav economy, might bring about a twofold benefit--to both domestic self-managers and to foreign capitalists. But even the first discussions (they lasted over a year; the first law on foreign investments was passed in 1968) were accompanied by perceptible ideological caution. This was probably mostly because of traumatic personal experience--the old Yugoslav regime was to have sold half of the total economic potential to foreigners.

Betrayal of Socialism

The group campaign from the eastern European socialist countries could have had some influence--although only indirect--on increased caution. They made accusations that Yugoslavia, in opening up its doors to foreign capital, was ostensibly betraying the essence of socialism. Soon, however, the majority of these countries followed Yugoslavia's example. Thus, all at once the ideological critics became serious competitors.

Nevertheless, Yugoslavia was not the first socialist country to legalize foreign capital investment in domestic industry, as is usually thought. The first step in this direction was made by Lenin, soon after the October Revolution (he signed about 200 agreements with foreign firms). He gave concessions to foreigners and even the opportunity to acquire right of ownership in the USSR, which opened up various mixed enterprises...The first and the largest of these business deals concluded by Lenin was with the man (Armand Hammer) whose firm is now negotiating with Zastava of Kragujevac.

The results have been modest over the last 16 years, to put it mildly. All in all, the caution not only of domestic partners, but also of foreign investors, has been a more effective factor than their ambitions. During this time, the law has been entirely changed twice (the law of 1978 is in effect today), and there have been many smaller changes also, especially those regarding the currency system. However, the essence has always remained the same. But informed individuals maintain that every new regulation is less and less favorable to investors. Some 200 agreements have been signed between Yugoslav work organizations and foreign firms, which at first glance is not such an inconsequential number, but the results--they have a value of barely \$200 million--have been minimal. Some of the largest projects planned (the largest, whose value exceeds that of all others, has to be the joint venture between INA and the American company Dow Chemical, on Krk) very quickly became bankrupt. All of this has confirmed the conviction that the original hopes and expectations were perhaps unrealistic.

Recently, changes in the existing federal law on the investment of foreign capital are again being worked on. Prominent businessmen and experts with whom we talked regarding this matter believe that a critical time has come, a time to move boldly in this area. It is interesting that some of the neighboring countries which followed Yugoslavia's example during the early 1970's, and made it possible for foreign capital to be invested in their economy, have recently decided to go a step further. After the Yugoslav law was passed, the first one like it was passed in Rumania (1971), followed by Hungary (1972), and Poland (1976). The resolutions were similar for the most part, enabling foreigners to invest up to 49 percent of the total capital in a joint undertaking with a domestic partner. But it turned out very quickly that the expectations of Rumania, Hungary, and Poland were not, for the most part, fulfilled; foreign investors complained that they had come across many bureaucratic and other obstacles, that doing business with these countries was far too complicated, and the benefits uncertain. However, the door was opened even further--Vietnam (1977), China (1979), Bulgaria (1980), and Cuba (1982), followed with similar laws.

Bulgaria was the first SEV country to permit the participation of foreign capital in joint economic undertakings to amount to more than 50 percent. Important agreements were concluded with two Italian firms, and one each with a Japanese and a Swiss firm. Later, both Hungary and Poland passed new regulations, allowing foreigners to have an even greater investment than domestic partners in some business areas. Hungary established free tariff zones and the minister of finance acquired the legal right (discretionary) to approve special concessions to foreign investors.

A Love Affair With Credit

For now, Poland has gone the farthest of all the SEV countries. According to a new law passed in 1982, foreigners are permitted to establish a firm in this country with 100 percent of the firm's capital. The number of workers is limited to 300 people (!), and at this time approximately 15,000 people are employed in about 450 firms of this type. It is interesting that the income per employed worker was about 250,000 zlotys in government-owned industry according to 1982 data, while the income was four times greater in firms founded by foreigners. But in spite of liberal legal resolutions of this type, foreign investment in Poland is not a more significant economic factor today. This can be said only of Hungary and China, countries which have used their opportunities very well in this respect.

How can one explain so much caution towards potential foreign investors in Yugoslavia when it is well known that at the same time foreigners have given, and Yugoslavs have taken, foreign loans in an amount which is giving big headaches to both parties today? We talked about this with Milan Kovacevic, recent finance director (now advisor) of the International Corporation for Investment in Yugoslavia, which is headquartered in London. This corporation was founded on the initiative of the world bank, the majority of western European, U.S., and Japanese banks, and one-third of Yugoslav bank capital, and has a large amount of experience in these matters, Kovacevic says:

"When you compare the modest \$200 million of foreign investments with the \$20 billion of foreign credits (100 times greater), you get indisputable proof of the existence of prejudice on the one hand and an exaggerated love affair with credit on the other. This has not been true only of Yugoslavia, it is a worldwide tendency.

"Latin America, which is choking with debts today, has limited foreign investments by agreement at the same time. It is believed, although this is a mistake, that a loan is better than the direct investment of foreign capital, because a country which is indebted appears to be able to carry out its own ideas to a great extent. However, it has been shown in practice that it is easier to wield influence in some countries through loans than through direct investment of capital, even when foreign investments are far greater.

"If one keeps in mind that production resources are in public ownership in our country, that the foreigner who invests his capital operates in Yugoslavia only on the basis of an agreement (he cannot gain right of property), that he does not become a stockholder with his investment and cannot sell the stock of our organizations of associated labor, that our people self-manage these resources, according to our regulations, then it is apparent that the danger from these foreign investors is far less.

"Yugoslavia will now--at least for some time--find it hard to count on new foreign loans. In addition, rates are going up, loans keep getting more expensive. For the time being, foreign investments are far cheaper; foreign investors are prepared to invest with a rate of profit which is below today's interest rates. Everything indeed points to the fact that interest

rates are momentarily high, but that this does not have to last indefinitely. Finally, Yugoslav industry now enjoys a much better reputation abroad than do Yugoslav banks. If, in addition to this, one keeps in mind that the Yugoslav industrial worker today works for wages many times lower than those in western Europe, and especially those in the U.S., all of this in perspective might be an important trump card for us," says Kovacevic.

Self-Management for Foreign Capitalists

The well-known lawyer and law professor, Dr Nilola Balog, prepared the first Yugoslav law on foreign investments. He says that foreigners are expected to invest their money in domestic organizations of associated labor for the sake of their own economic, political, and moral interests. The rights given them by the Yugoslav system should be attractive for them, and acceptable, as well as bearable, for Yugoslavia. This is, of course, theory; in practice, however, it is somewhat different. Belgrade attorney Dr Radoje Prica, an expert in this area (he represented INA during the signing of the agreements with Dow Chemical and has taken part in negotiations concerning many similar agreements) says: "When you read the text of the law you see that the people who wrote it were encumbered by ideological details. It is as if they are writing a training course on self-management for foreign capitalists instead of resolving a business relationship in a rational manner."

The most frequent objections of foreign investors have pertained to the regulation in the existing Yugoslav law according to which it is obligatory for the profits to be limited in advance by agreement between the domestic and the foreign partner. The foreign investor can obtain a profit if it is a matter of a "reasonable" sum. But not if this sum is "unreasonably large." Moreover, the law gives completely incoherent criteria (one must taken into consideration average returns in the same business in Yugoslavia and in the world, etc.) on the basis of which one is supposed to determine what is a "reasonable" profit, and what is an "unreasonably large" profit. It is expected that the basic investment is returned to the foreign investor through profit. This means that the legislators were prompted by the desire that foreign investors stay as short a time as possible in Yugoslavia, and that the more successful the business concern is, the earlier they should go home.

It is as if the Yugoslav economy is "set up" to work with low profitability. The prevailing concept of "revenues after the worker" does not provide a chance to establish valid criteria of profitability, but using a different calculation it follows that in the majority of cases the domestic economy gives a profit rate of three to 4 percent, according to Kovacevic. It is obvious that he who invests his money in a commercial project in Yugoslavia finds it hard to count on getting rich from it.

Our form of management is another thing about which foreigners--when they decide on an investment in the Yugoslav economy--are not very enthusiastic. Foreign investment in all countries is a form of direct investment, which means that he who has invested his money and who bears the risk expects that he also should have some say in what has to be done. Before now, the foreign investor in Yugoslavia has only been able to have a consultative role--all

business decisions are made independently by self-management organs of the domestic partners. And it has usually seemed to the foreign investors that this is not fair. Self-managers are, according to the foreigners, far better protected from any risk as partners. They will always receive their personal income first, and it is what they themselves have determined it to be (it is written this way in the law, and the foreign investors believe that it is really so); the foreign investor, however, is obliged to invest in the expansion of the material base of labor, thus benefiting the self-manager, and before he can calculate his profit he has to pay all fees from joint cash funds. And the profit rate he can count on is, in addition to everything else, still restricted.

A professor of law in Novi Sad, Dr Tibor Varadi, who is an expert in international private law and international business law, states that the foreigner cannot enter into decisions involving questions which fall into the category of workers' inalienable rights, according to Yugoslav laws. But he thinks that they ought to be allowed to take part in forming business decisions, the consequences of which affect them.

It is also a well-known fact that Yugoslavia's tax system today is far from perfect. At times it seems to work to our disadvantage. Let's assume that foreign investors do not worry too much when they pay tax here which they otherwise would have to pay at home. Yugoslavia has signed several bilateral agreements with some countries concerning the avoidance of double taxation. This means that someone is obliged to pay at home only the difference between the Yugoslav tax and their own domestic tax, if this happens to be larger. And as a rule, it is larger. Some republics and provinces (the tax on profits of foreign investors belongs to the republics and provinces) have rushed to reduce the tax rate in their territories, believing that this will make them more attractive to foreign investors. However, this has only helped foreign tax revenues, and damaged our own.

But without question, the greatest misunderstanding and confusion in business relations between foreign and domestic partners-investors is provoked by the Yugoslav foreign exchange system; it is not always completely certain what belongs to whom to what extent. Foreign investors, for example, are guaranteed by law to be able to "transfer" half of the profits realized by export--to take them home--in foreign exchange. However, this right of theirs is in conflict with all other legal obligations of organizations in which they have invested money. And the right cannot be exercised.

During the Sarajevo Olympics, when the U.S. TV company ABC wanted to pay part of its expenses in dinars (it got them from the U.S. company General Foods, which got them from Agrokop), the Sarajevo Commercial Bank found themselves in big trouble. Trepcu flatly refused to sell storage batteries for dinars to a Swiss drug factory, which had obtained the dinars from its partner in Vrsac instead of foreign exchange. In each case, it is difficult for foreigners to understand why Yugoslav firms so gladly offer domestic currency, and regard it with such reluctance when someone else offers it to them.

All in all, it is apparent that the legislators in Yugoslavia have intended to control and watch carefully foreigners who invest their capital here.

Along with other unfavorable circumstances, this probably could only have discouraged some potential foreign investors. It is interesting, however, to compare Yugoslav regulations in these areas with those which are used when Yugoslav firms go the other way and decide to invest their money abroad (usually in developed countries). Then they get to know two completely different faces. "When we keep the books, we are the rightful bosses," a domestic businessman told us who has had a great deal of experience in this regard.

Volkswagen Is Satisfied: Dr Stefan Mesman

Dr Stefan Mesman is the chief legal consultant for the company Volkswagen. He was born in Zrenjanin, and got his doctorate in Switzerland, writing his thesis on "Investment of Foreign Capital in Yugoslav Business." He regularly reads NIN. He says the following (in fluent Serbo-Croatian):

"Cooperation between Volkswagen and UNIS has a long tradition. During the mid-1960's, the firm Audi-NSU, which is part of Volkswagen today, began to collaborate with UNIS. In 1969, we decided to promote this cooperation in a more significant manner. We signed a general agreement, and based on this began to carry out negotiations on joint investment. Finally, on 6 March 1972, we signed an agreement on joint investment. We began first of all to assemble the Buba and we have produced the Golf in Sarajevo since 1976.

"During the first phase, we invested approximately 8 million marks, and UNIS invested the equivalent amount in dinars. In the meantime, we made some additional investments. A few days ago, on 25 May 1984, we signed a new agreement according to which we will invest 30 million marks more, so that the total amount invested in this matter by Volkswagen, UNIS and TAS will come to approximately 100 million marks. Of this amount, Volkswagen has invested about 80 million marks, including this latest investment.

"This cooperation is the exception among our factories throughout the world in the way in which it is being carried out, because legal obligations of this type--that one must export as much as one imports--do not exist everywhere. They still exist only in some socialist countries, for example, in Rumania and in China, countries with which we are negotiating at this moment.

"We are quite satisfied with the cooperation we have had with our Sarajevo partner. We have not had any problems. That is why, after all, we signed the new agreement a few days ago. Nevertheless, I think that there are several things in the present Yugoslav law which disturb foreign investors. Above all, it is very difficult to set a limit on profits by agreement ahead of time. In practice, this is impossible, and in principle it is dishonest. It also says in the law that foreign and Yugoslav partners must cover losses together, which is also not in order, because it is a matter of the investment of one legal entity, and this legal entity ought to be responsible for the results of the business operation.

"There are also other things which worry us a little. The Yugoslav legislature as a whole is very dynamic. Regulations are constantly being changed, and there are regulations that one simply does not know for what purpose they

exist. There are currency regulations of the National Bank which have not been published anywhere. The foreign investor and the Yugoslav firm do not always know what the actual situation is, what is possible, and what is not."

New Regulations: Dr Tibor Varadi

There are many reasons for us to make agreements on joint investment more attractive.

Regulations which are prepared correctly should for this reason eliminate obstacles which have hindered this collaboration up to now. Above all, they should leave the partners somewhat more room in which to maneuver in seeking the most adequate solutions.

The partners should also be given more room for negotiation on taking credits for the sake of subsequent investment. Moreover, one must say more precisely in the law that the foreign investor, after the business operation has ended, will receive more (or possibly less) than his normal investment, depending on the results of the business. In the class of priority assignments I would place the radical simplification and abbreviation of the procedures involved in approving agreements. Truly progressive changes in the legal regime for joint investments cannot, however, be maintained only in substitutions and supplements of the Law on Investment of Foreign Entities in Domestic Organizations of Associated Labor. The standards of several other regulations should also be changed, above all, the Law on Foreign Exchange Operation.

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ECONOMIC OPERATION OF AGROINDUSTRIAL COMPLEX IN 1983

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 6, Jun 84 pp 13-19

[Article by Danilo Babic, economist; Ljubodrag Jovanovic, engineer; and Slobodan Sivcev, economist]

[Excerpts] Results in Production and Exports

Last year the working people employed in the agroindustrial complex achieved relatively satisfactory results in production and exports. However, these results are quite a bit below what was projected, there are large differences from one branch or grouping to another, and marked structural disproportions were manifested, especially in agriculture.

Agriculture. In spite of the planning commitment to achieve more dynamic growth rates of production in agriculture in the current medium-term period (an annual average of 4.5 percent), the Resolution on Economic Policy for 1983 projected an average growth rate of 2.5 percent. Yet according to the most recent statistical data, the total physical volume of agricultural production in 1983 was down 2 percent from the previous year, though there was no drop in the socialized sector, but the same production was achieved as in 1982.

One of the important weaknesses of agricultural production in 1983 was the failure to bring about the necessary structure of production, especially industrial crops and livestock production. The drop in production of industrial crops was nine index points from 1982. Nor is the necessary intensification of production being achieved; this is a basic element and indeed the most essential element in increasing the volume of planned output. There are very indicative figures showing that for a number of years in cropping almost all the principal crops have shown a decline in average yield per hectare.

Last year animal husbandry had an output that was 2 percent less than in 1982. Only in poultry production was there an increase (1 percent). The situation in animal husbandry deteriorated especially at the beginning of 1984. The crisis situation is still persisting and threatens to jeopardize the foundation livestock herd. On the basis of figures of the Federal Bureau of Statistics on the livestock population as of 15 January 1984, the situation is

worst in cattleraising. That is, the number of cattle is the same as in the previous year, with a 13-percent increase in the number of cattle in organizations of associated labor, while the number of cattle has dropped 1 percent on private farms. However, it is a disturbing fact that the number of cows and pregnant heifers is off 2 percent. That is the result of a 3-percent decline in the private sector, and it is this sector which has 96.9 percent of the cattle population. The situation is somewhat better with the number of swine (9.3 million), where a growth of 12 percent was recorded, while the increase in the number of poultry was 6 percent (12 percent in agricultural organizations).

A number of factors have brought about these markedly adverse tendencies in the development of animal husbandry: difficulties in purchasing livestock feed of domestic origin or imported, unsettled relations on the livestock market, difficulties in exporting meat, etc. Unless measures are taken urgently to halt these trends in livestock production, the consequences could be very adverse, which would in turn affect agriculture as a whole, since unless animal husbandry develops, field cropping cannot develop either.

Processing. The discrepancy in development between primary agricultural production and all four processing branches has been steadily deepening, and that is having a number of adverse consequences. In the principal processing branch--the food processing industry--the growth of production in 1983 was only 1 percent, although a number of new factories were put into production in that year, and plants underwent reconstruction. There was also an increase in the size of the labor force (about 1.3 percent), so that productivity is stagnant. A particular drop in production occurred in the fruit and vegetable canning industry (about 6 percent), the confectionery industry--chocolate products (about 7 percent), the production of alimentary pastes (about 6 percent), etc. In the beverage production branch a 6-percent decline of production was recorded. In the branch producing livestock feed there was an increase in production of 10.3 percent thanks to the sizable increase of complete feed mixtures. And production was up 3.1 percent in the tobacco production and processing branch, but there were also quite a few cyclical developments here. The long-planned increase in tobacco production of 100,000 tons is not being achieved at all. On the contrary, it is expected that this output will stay the same in 1984.

Foreign Trade. The export program in 1983 called for exports of agroindustrial products worth \$1.5 billion, and that primarily through self-managing funds for promotion of exports, of which there are eight in this sector. This program was based on 1982, which was a very good year, and on relatively favorable estimates of production anticipated in 1983.

On the basis of the official figures, exports in 1983 rose only 1.4 percent. Consequently, exports are not keeping pace with the plan. The level and dynamic pattern of exports by branches of the agroindustrial complex are shown in Table 1.

The value of exports for the entire agroindustrial complex in 1983 amounted to only \$1,168 million American, agriculture and fishing accounting for 36

percent of this and the processing branches 64 percent. The volume of exports was considerably short of the potential. Agriculture increased its exports by 54 percent, which is the result of a 139-percent increase in the volume of exports of cropping, in which corn exports are dominant. There was also a shortfall of exports in the branch of animal husbandry, which was 15 percent. The situation with exports in the processing branches is extremely disturbing, since all four branches showed a drop in exports from 1982 ranging from 6 to 18 percent. Even though the export results last year were modest, they were still more favorable than total exports and imports of industry and mining, which recorded drops of 2 percent and 4 percent, respectively. It is interesting that exports of the activities of the agroindustrial complex have a share of 12.1 percent in total exports.

Table 1. Level and Dynamic Pattern of Exports of the Agroindustrial Complex in 1983, in millions of dinars

<u>Sector—Branch</u>	<u>Exports, 1983</u>	<u>Index Number 83/82</u>	<u>Imports, 1983</u>	<u>Index Number 83/82</u>
Total exports	1,209,709	98	1,475,783	93
Industry and mining	1,142,034	96	1,383,754	94
Agriculture and fishing	52,702	154	78,829	74
Cropping	35,623	239	46,924	71
Animal husbandry	10,605	85	9,269	55
Food processing industry	67,212	83	57,867	130
Beverage production	10,863	94	556	69
Animal feed production	376	82	850	132
Tobacco production and manufacturing	14,727	88	2,358	117
Agroindustrial complex as a whole	145,879	101.4	140,460	91.3

Source: INDEKS, No 3, 1984.

Note: The values given are based on an order of the Federal Executive Council, published in SLUZBENI LIST, No 62, whereby \$1 U.S. = 124.80 dinars.

Formation of Gross Income and Income

The movement of prices of raw and processed foods had a decisive impact on the growth of the gross income of OLR's [organization of associated labor] in the agroindustrial complex. For example, in agriculture the physical volume of output in 1983 was two index points from the previous year, while prices rose an average of 45 percent (30 percent in field cropping, 61 percent in animal husbandry and 22 percent in fruit- and grapegrowing). It can be seen from Table 2 that the trends were also similar in certain other branches of the agroindustrial complex.

Table 2

<u>Indicator</u>	Index number 1 Dec 1983/1 Dec 1982	
	<u>Physical Volume of Output</u>	<u>Prices</u>
Production of processed foods	101	141
Beverage production	94	134
Livestock feed production	110	130
Production and manufacturing of tobacco	103	159

There have even been drastic cases when we examine the groupings one after another. For instance, the physical volume of output was down nine index points for the production of alcoholic beverages, two points in the milling of grain, the processing of fruit and vegetables and the processing of fish, and one point in the production of confectionery products. A certain growth in the physical volume of output was recorded for the other groupings.

The gross income of the agroindustrial complex is forming at a somewhat higher level than in the economy as a whole and in industry and mining, as can be seen from Table 3.

Table 3. Actual Gross Income, in billions of dinars

<u>Indicator</u>	<u>1982</u>	<u>1983</u>	<u>Index Number</u>
Economy--total	9,348	13,637	145.8
Industry and mining	3,767	5,557	147.5
Production of processed foods	471	679	144.0
Beverage production	73	98	134.7
Livestock feed production	47	78	167.9
Tobacco production and manufacturing	33	49	149.3
Agriculture and fishing	502	772	153.6
Water management	15	21	137.9
Agroindustrial complex as a whole	1,141	1,697	149.0

In view of inflation the growth of gross income was markedly slow in the production of alimentary pastes (123.5), sugar production (119.7), production of wine distillate (115.6), grapegrowing (127.8) and certain other groupings. Whereas the production of animal feed (167.9), livestock raising (160.0), services for animal husbandry (160.3), maritime fishing (186.6) and certain other groupings formed their gross income considerably faster.

A certain change occurred in the structure of sources from which gross income was formed. We can note a marked tendency toward an increase of income on the foreign market in all branches of the agroindustrial complex except in tobacco production and manufacturing, where this income has up to now been relatively high, indeed the highest in the agroindustrial complex. This growth of income from the foreign market was motivated by the general public

demand to augment exports and by the measures taken in that direction. This brought about a partial drop in the share of revenues realized through sales on the domestic market, except for tobacco production and manufacturing, for which the domestic market was more attractive, and to a slight extent in livestock feed production. Revenues realized by selling goods at wholesale also recorded a growth in the structure of gross income. It is significant that OUR's in agriculture and fishing realized 42 percent of gross income from selling goods at wholesale and retail (highest in relations with private farmers), and only 33 percent through the sale of products.

Another general characteristic is a certain drop in the share of joint revenues on the domestic market in formation of gross income. The share of income based on share in joint income in a bank, and especially income based on the share in joint income realized in OUR's by other users of social assets is negligibly small. This points up the fact that the conditions have not been established in certain activities so as to motivate OUR's to strengthen the new relations. But even here there are differences. In the branches of beverage production and tobacco production and manufacturing the share in jointly earned income (both participation in joint revenues and participation in joint income) on the domestic and foreign markets was greater than income realized in mutual relations within an OUR. For example, in tobacco production 38.1 percent of gross income was realized as participation in joint revenues on the domestic and foreign markets, and only 12.7 percent as income within the OUR as a purchase and sale relationship. This was slightly less in beverage production. But in the production of processed foods and livestock feed these relations were quite the reverse.

The trend of costs relative to the movement of gross income directly determined the size of income of OUR's in the agroindustrial complex, as is evident from Table 4.

Table 4

Indicator	Index number 1983/1982		
	Gross Income	Costs	Income
Economy--total	145.8	147.8	139.2
Industry and mining	147.5	149.6	142.2
Food processing industry	144.0	142.7	149.2
Beverage production	134.7	133.4	139.3
Animal feed production	167.9	167.5	171.8
Tobacco production and manufacturing	149.3	142.6	173.1
Agriculture and fishing	153.6	155.7	146.4
Water management	137.9	148.4	126.5

It is notable that the growth of income in the branches of the agroindustrial complex was faster than the growth of income of the economy as a whole (139.3) and of industry and mining (142.2) except in water management (126.5) and beverage production (139.3). The growth index of income was markedly high in the grouping of sugar production (174.2), vegetable oil production (174.1),

livestock slaughtering (179.7), meat processing (165.9), beer production (164.0), the production of fermented tobacco (171.3), tobacco manufacturing (176.2), animal husbandry (165.0), maritime fishing (185.3) and river fishing (162.8). Certainly this growth of income in those groupings resulted from a certain improvement in economic services in certain activities, that is, it was a consequence of a change in the markedly adverse conditions in the previous period, which also resulted in large losses. In most of these activities the losses are smaller than in the previous year, except in maritime fishing, where they were larger (290.1).

A markedly low growth index of income was recorded in the grouping of alimentary paste production (119.8), milk processing (124.5), wine distillate production (107.1), soft drink production (126.8), mineral water production (127.6) and grapegrowing (113.5). A high growth of losses was at the same time recorded in a majority of these activities.

The various types of costs had a varying impact on formation of the income of OUR's in the agroindustrial complex, as is evident from Table 5.

Table 5

Index number 1983/1982

Indicator	Costs-- Total	Raw Mate- rials and Supplies	Energy Consumed	Produc- tion Services	Depreci- ation at Minimum Rates	Purchase Value of Goods
Economy--total	147.8	149.6	155.2	130.9	140.3	150.3
Industry and mining	149.6	151.0	157.5	135.1	142.3	163.7
Food processing industry	142.7	145.6	149.9	131.9	147.2	159.5
Beverage production	133.4	126.4	145.6	130.5	142.4	139.6
Animal feed production	167.5	159.3	153.2	170.6	153.9	261.3
Tobacco production and manufacturing	142.6	137.1	154.7	144.7	150.1	209.5
Agriculture and fishing	155.7	162.2	145.5	143.6	140.5	156.8
Water management	148.4	133.7	130.4	179.3	136.7	134.5

Average growth was recorded by consumption of raw materials and supplies in the activity of livestock feed production (159.3) and agriculture and fishing (162.2), while in beverage production (126.4), tobacco production and manufacturing (137.1) and water management (133.7) it was below the average. Energy consumption recorded a slower growth index in the branches of the agroindustrial complex than in the economy as a whole and in industry and mining. The consumption of production services was markedly high in livestock feed

production (170.6) and water management (179.3). The growth of depreciation was larger in all the branches of the agroindustrial complex than in the economy, and in most it was greater than the average for industry and mining.

Concluding Considerations

Figures on operating results of OUR's in the agroindustrial complex on the basis of year-end statements for 1983 display the general features of our entire economy--high inflation, stagnation or decline of production, a slackening of economic performance, a drop in real personal income, large losses in certain groupings, and an inadequate ability of OUR's to form capital and depreciation for the necessary investments in development.

The volume of agricultural output in 1983 was down 2 percent from 1982, yields have stayed at the same level for several years now, and the structure of production is not satisfactory, especially with respect to industrial crops. At the same time in the latter half of 1983 and beginning of 1984 a very critical situation came about in livestock production which will have untold consequences. The situation with the planting operations which have been done and the condition of crops resulting from the technology used and climatic conditions this year is not the most favorable, nor does it conform to the food production program for 1984. The results in primary agricultural production have also had an adverse effect on the processing branches, especially the production of processed foods.

Important but still inadequate results have been achieved in foreign trade of products from the agroindustrial complex. It is an unfavorable fact that this is not resulting from greater production. This is not good, since the less valuable products are being exported (corn, live animals, etc.), while capacity representing higher phases of processing are underutilized.

The financial results in the business operation of OUR's in the agroindustrial complex, viewed as a whole, are relatively favorable, although there are large differences from one branch or grouping to another, which in part suggests uneven conditions for the realization of income.

The gross income of OUR's in the agroindustrial complex as a whole has been forming somewhat faster than the gross income of the economy. The rate of growth of gross income differs essentially from one branch or grouping of the agroindustrial complex to another. Favorable results in generating income do not guarantee a satisfactory movement of the ability of OUR's to generate capital and depreciation for reinvestment, especially in certain activities of the agroindustrial complex.

Efforts to take the burden off associated labor through a relative decline of the share of social services and government have to some extent been effective in the distribution of income, but at the same time the growth trend has continued for the already high drain from income based on interest on loans, which is considerably diminishing the accumulative and reproductive capacity of OUR's in the agroindustrial complex.

As for earmarked distribution, most of associated labor is behaving in the spirit of the stabilization policy, even making certain sacrifices at the expense of the standard of living and on behalf of a relatively faster growth of appropriations to improve the plant and equipment of associated labor.

This policy governing movement in secondary distribution and the more astute conduct of business in certain activities has helped to slow down considerably the growth of losses incurred in 1983. However, total losses per worker are very high, especially in the food processing industry and beverage industry.

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CSO: 2800/397

DATA ON AGRICULTURE TO 1981

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 6, Jun 84 pp 7-12

[Excerpts] Yugoslavia, which was a predominantly agrarian country drawing about three-fifths of its income from exports of farm products, has in its postwar development been transformed more and more into a country exporting industrial products, while exports of farm products (although they have grown in absolute amounts, have shown a relative declining trend in total exports. Contrasted with that, agricultural production's slow development (up to 1956) imposed a need for high imports of farm products, so that at that time they amounted to almost 40 percent of total imports. Even after that period imports of farm products increased in absolute terms (but now these imports consist more and more of tropical fruit, coffee, spices and other products which Yugoslavia does not produce), but their importance in total imports has been declining. Nevertheless, the deficit under the heading "agriculture" was high in the seventies and could undoubtedly be diminished considerably or indeed eliminated.

A study of agriculture's importance in the Yugoslav economy with respect to these criteria has thus yielded differing results. In 1981, for example, agriculture's importance was 25 percent (if we determine it by the share of the farm labor force in the total labor force), or 20 percent (if we use the criterion of the farm population), 13 percent of exports, but only 13 percent with respect to the criterion of income from agriculture and a mere 8 percent by the criterion of the share in the social wealth produced. But the differences are only apparent, since they are easy to explain in economic terms: the lower labor productivity in agriculture necessarily results in the fact that the prime labor force, which is all of 25 percent of the total labor force, yields only 13 percent of the income. Since the income of private farmers is low because of low productivity of labor in agriculture, many have a "second" job, which is often the principal source of income for their household. That is why such households are treated as nonfarm households, even though the major portion of their labor is still oriented toward agriculture.* Finally, the organic composition of capital is low in agriculture (on

* The unrefined character of these criteria has led certain agricultural economists to measure the importance of agriculture in an economy with the concept of so-called "agrobusiness." Here agriculture's importance is measured by the percentage of the labor force working in agriculture or producing

the average there is less fixed capital per person employed), which is why agriculture's share in the social wealth produced is low.

Table 2. Agriculture in Yugoslavia's Foreign Trade 1935-1981

Average Over Period	Amounts (in millions of current U.S. dollars)			Agriculture's Share in Total, %	
	Exports	Imports	Balance	Exports	Imports
1935-1939	68	19	+ 49	60.9	20.3
1953-1957	101	181	- 81	35.8	39.2
1958-1962	192	208	- 16	35.6	26.4
1963-1967	305	338	- 33	29.0	24.3
1968-1972	345	395	- 50	20.3	14.9
1973-1975	519	967	-448	14.5	14.7
1976-1978	741	1,170	-439	14.1	12.7
1979-1981	1,125	1,644	-519	12.6	11.0

Note: Exports of farm products in World War II included exports and imports of Class 0 (food), 1 (beverages and tobacco), 21, 22, 26 and 29 (raw materials of agricultural origin) and 4 (animal and vegetable fats), as given by the standard international trade classification (SMTK or SITC).

Table 3. Agriculture's Importance in the Economy as a Socialist Republic 1948-1981

Socialist Republic	Farm Population in Total Population, %			Income From Agriculture (% of total)		
	1948	1961	1981	1953	1961	1981
Bosnia-Herzegovina	71.8	50.2	16.5	28	23	10
Montenegro	71.6	47.0	14.5	39	25	7
Croatia	62.4	43.9	16.2	28	20	11
Macedonia	70.6	51.3	20.5	40	28	15
Slovenia	44.1	31.7	9.2	12	12	5
Serbia	72.3	56.1	24.5	43	28	19
Serbia proper	72.4	56.2	26.6	38	22	13
Vojvodina	68.1	51.8	19.2	49	43	31
Kosovo	80.9	64.2	24.0	44	34	21
Yugoslavia	67.2	49.6	19.1	31	28	13

Regional Differences

These figures are indicative of the importance which agriculture has for Yugoslavia. But this picture of averages was created on the basis of large differences that exist in this respect from region to region. This is shown by the figures in Table 3.

supplies for agriculture (machines or production supplies) or engaged in marketing the farm product. The importance of agriculture measured by this criterion is always higher as a rule than shown by other criteria.

In 1981 Slovenia had only one-third (9.2 percent) of the farm population of Serbia proper (26.6 percent). Aside from Slovenia, Montenegro, Bosnia-Herzegovina and Croatia were the only republics whose farm population was below the Yugoslav average. To be sure, a somewhat different picture appears if we examine the rate of decline of the farm population.

Much greater differences are noted in agriculture's share in the creation of income. Agriculture has by far the greatest importance in creating Vojvodina's income, where it now has a share of 31 percent (all of 49 percent in 1953). Agriculture has the lowest importance in Slovenia, only 5 percent) and Montenegro (7 percent). Here the changes in the dynamic pattern of the phenomenon are also very rapid.

Still greater differences with respect to the farm population exist if we look at the situation by opstinas. The farm population represents less than one-tenth of the total population in one-sixth of the total of 516 opstinas in Yugoslavia. At the same time, all of one-third of the opstinas have a farm population that is more than 5 percent of the total. Without exception these opstinas are economically underdeveloped and have a low level of personal income, so that they are the principal centers of migrational movements in Yugoslavia.

The conclusion inevitably follows from all these considerations that agriculture, although its importance in the Yugoslav economy has been declining continuously, is still an extremely important sector, since even in 1981 it employed almost one-fourth of the labor force and provided about one-seventh of total income. Its economic importance is intensified by the fact that agriculture also performs certain basic economic functions.

Table 4. Per Capita Consumption of Foodstuffs in Yugoslavia 1953-1980

Foodstuff	Average Annual Consumption in 3-Year Period (kg/inhabitant)								
	1953-1955	1956-1958	1959-1961	1962-1964	1965-1968	1969-1971	1972-1974	1975-1977	1978-1980
Wheat and rye	131	128	146	160	160	149	159	155	152
Corn	52	50	35	30	23	22	23	23	23
Potatoes	64	61	70	66	65	62	68	67	61
Beans, peas and lentils	7.9	8.6	9.1	8.9	9.0	8.3	8.5	8.1	7.9
Fresh vegetables	36	46	54	60	60	71	81	88	82
Fruit and grapes	50	41	50	51	65	52	55	64	61
Meat and fish	24	25	29	27	33	37	46	51	58
Fats	10	10	11	13	14	17	19	20	21
Milk (fresh)	61	79	77	67	75	73	82	96	101
Eggs (number)	43	64	67	69	95	137	155	170	186
Sugar	9	13	16	18	24	27	31	33	33
Wine	19	21	23	25	26	27	29	28	27
Beer	4	5	7	11	19	30	37	38	43

Table 7. Grain Production in Yugoslavia, Total and Per Capita, 1930-1982

<u>Period</u>	<u>Production of All Types of Grain (thousands of tons)</u>	<u>Per Capita Production (kg/yr)</u>		
		<u>Bread Grains</u>	<u>Corn</u>	<u>Total</u>
1930/1939	14,789	179	291	519
1948/1951	16,242	157	214	411
1952/1956	17,284	125	180	342
1957/1961	18,214	195	296	543
1962/1966	19,222	212	328	588
1967/1971	22,209	240	358	639
1972/1976	21,164	254	404	704
1977/1981	22,168	228	421	695
1982	22,646	234	491	769

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CSO: 2800/397

PERSONAL INCOMES IN AGRICULTURE, RELATED SECTORS

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 6, Jun 84 p 26

[Text] Last year workers employed in agriculture and fishing had a larger net personal income per worker than in previous years. By contrast with other sectors and branches, it might be said of the movement of the net personal income in agriculture and fishing, and then in forestry and water management, that it has been somewhat more pronounced than in previous years. This can best be seen from the following comparisons and data of the Federal Bureau of Statistics (in dinars):

<u>Sector--Branch</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Total	6,113	7,368	9,846	12,542	15,858
Economic activities	5,928	7,167	9,675	12,329	15,638
Noneconomic activities	7,087	8,428	10,746	13,658	17,003
Industry and mining	5,688	6,955	9,557	12,153	15,543
Agriculture and fishing	5,316	6,616	9,354	12,454	16,053
Agricultural production	5,199	6,502	9,185	12,273	15,788
Agricultural services	6,195	7,570	10,679	13,893	17,984
Fishing	6,268	7,040	10,681	13,559	19,274
Forestry	5,665	7,089	10,246	12,962	15,674
Water management	6,249	7,448	9,842	12,264	15,705

After several years of lagging behind other sectors and branches, net personal income per worker in 1983 was higher in agriculture and fishing than in Yugoslavia as a whole and economic activities. It was also higher than in industry and mining. All of this resulted in part from larger investments in agriculture, and then from the larger volume of output, which was accompanied by a marked rise in the prices of most farm products and foodstuffs.

The figures on the net personal income per worker in 1982 show the following developments in the various republics (in dinars):

<u>Sector</u>	<u>Bosnia- Herce- govina</u>	<u>Monte- negro</u>	<u>Croatia</u>	<u>Macedonia</u>	<u>Slovenia</u>	<u>Serbia</u>
Agriculture and fishing	10,577	9,297	14,157	8,300	14,466	13,188
Agricultural products	10,400	9,359	13,955	8,184	14,008	13,120
Agricultural services	12,531	8,884	15,238	10,208	17,558	13,764
Fishing	9,958	11,046	15,403	8,908	15,929	13,869
Forestry	11,698	10,010	16,183	9,635	15,743	11,532
Water management	11,012	12,032	13,969	8,827	13,691	11,827

The differences in net personal income from republic to republic are rather large. This especially pertains to workers employed in agricultural services. Those employed in Slovenia, for example, have an average net personal income almost twice as high as those employed in Montenegro. Much the same is true of those employed in fishing: those employed in Bosnia-Herzegovina and Macedonia have an appreciably lower net personal income than those in Croatia and Slovenia.

The earnings of employees in forestry are appreciably higher in Croatia than in Macedonia or Montenegro. There are also certain differences with those employed in water management, but they are somewhat less than in the other sectors and branches. Viewed as a whole, the highest average earnings went to those employed in Croatia and Slovenia, and the lowest to those employed in Macedonia and Montenegro.

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DATA ON SOCIALIZED ORGANIZATION OF FARMERS

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE I PLASMANA in Serbo-Croatian No 6, Jun 84 pp 38-39

[Official report: "Report on Implementing the Recommendation of the Federal Chamber of the SFRY Assembly on Forming Self-Managing Associations of Private Farmers and on Including Them in the System of Self-Managed Associated Labor"]

[Excerpts] In view of the importance of forming self-managing associations of private farmers to the more rapid development of agricultural production, to the growth of income, to improvement of rural living and working conditions, and to implementing the policy of economic stabilization, and toward the goal of a faster pace in this process, on 1 October 1981 the Federal Chamber of the SFRY Assembly adopted the Recommendation on Formation of Self-Managing Associations of Private Farmers and on Including Them in the System of Self-Managed Associated Labor.

In the recommendation the Federal Chamber of the SFRY Assembly imposed on the competent social structure the obligation to stimulate through specific package programs the formation of associations of private farmers and their linkage with organizations of associated labor in conformity with the principles of the constitution and the Law on Associated Labor.

Under a resolution of the Federal Executive Council dated 27 July 1983 the Federal Committee for Agriculture and the Federal Secretariat for the Market and General Economic Affairs were made responsible in cooperation with the Cooperative Alliance of Yugoslavia to submit to the Federal Executive Council no later than 20 August 1983 a report for examination and submittal to the SFRY Assembly on implementation of the Recommendation on Formation of Self-Managing Associations of Private Farmers and on Including Them in the System of Self-Managed Associated Labor.

The interdepartmental group, which has been collaborating with the appropriate general associations, the Economic Chamber of Yugoslavia, the Cooperative Alliance of Yugoslavia, and the cooperative alliances of the republics and provinces, has prepared a proposed version of a report for the preliminary debate in all competent bodies and organizations at the federal level and also for debates in the socialist republics and socialist autonomous provinces.

The report was drawn up on the basis of opinions, suggestions and proposals in the debates.

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The Recommendation has been implemented in the period characterized by radical changes in the Yugoslav economy. In the context of profound disturbances and difficulties in economic development the great importance of agriculture and of food production to achievement of the essential goals of the policy of economic stabilization has been confirmed. Inclusion of the agroindustrial complex in the stabilization policy signifies above all a considerable increase in production of agricultural raw materials and food, including those commodities which can be exported to foreign markets. The important opportunities in agriculture cannot be realized without further development of the socialized sector, nor can they be realized without a considerably higher level of organization of private farms. It is these farms that possess most of the production resources (85 percent of the arable land, 92 percent of the livestock population, 90 percent of the machinery and 94 percent of the manpower). For that reason establishment of a considerably higher level of economic and social organization of private producers is an essential factor that sets the limit on tapping the large production potential in agriculture possessed by private farms.

According to the figures of the cooperative alliances of the socialist republics and the socialist autonomous provinces, there are now 2,143 organizations of associated farmers (763 cooperative organizations, 987 organizations of cooperators and 393 organizations of associated labor for cooperation with the peasantry). In addition there are 3,588 communities of private farmers. These organizations have a membership of 288,865 private farmers, while 1,074,320 private farmers are engaged in cooperative collaboration [with the socialized sector]. The system of old-age and disability insurance of associated farmers covers 26,883 farmers (Tables 1, 2 and 3).

Table 1. Figures on the Number of Organizations of Private Farmers and the Number of Associated Farmers by Years (1978, 1979, 1980, 1981, 1982 and 1983)

Organizational Forms	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Farmer cooperatives	504	521	536	551	551	564
Farmer cooperatives without basic cooperative organizations	463	463	462	470	485	452
Farmer cooperatives with basic cooperative organizations	41	58	74	79	66	86

Table 1 (continued)

<u>Organizational Forms</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Basic cooperative organizations	148	185	222	241	278	298
Work organizations of cooperators without basic organizations of cooperators	13	10	6	14	26	24
Basic organizations of cooperators	734	807	858	905	927	954
OUR's and OOUR's [basic organization of associated labor] cooperating with private farmers	421	429	310	263	237	393
Communities of associated farmers	--	--	640	686	708	3,588
Number of associated farmers	195,716	239,849	249,314	261,706	267,137	288,865
Number of cooperators	--	1,130,414	1,048,818	1,100,000	1,086,968	1,074,320
Number of private farmers covered by old-age and disability insurance	--	26,371	28,021	28,034	28,612	26,883*

* Associated farmers voluntarily covered by the Law on Old-Age and Disability Insurance of Associated Farmers.

Sources of data: Work report of the cooperative alliances of the republics and provinces and forms for monitoring the formation of self-managing associations of private farmers and the organization of private farmers.

Table 2. Figures on the Number of Organizations of Associated Farmers and Organizations of Associated Labor for Cooperation With Private Farmers

Indicator	Bosnia-Hercegovina	Montenegro	Croatia	Macedonia	Slovenia	Serbia	Kosovo	Vojvodina	SFRY
Farmer cooperatives	32	8	208	98	43	127	34	3	553
Farmer cooperatives without basic cooperative organizations	--	2	204	97	20	100	27	2	452
Basic cooperative organizations	75	4	15	2	66	112	23	1	298
Work organizations of cooperators	6	1	7	--	2	8	--	--	24
Basic organizations of cooperators	192	10	82	25	63	289	28	265	954
OOOR's for co-operation	53	20	56	38	--	49	57	120	393
Specialized cooperatives	--	2	7	1	--	--	1	--	11
Communities of associated farmers	73	1	14	--	3,500	--	--	--	3,588

Note: The figures were compiled on the basis of the form for monitoring the organization and formation of self-managing associations of private farmers in the republics and provinces (as of April 1983).

Table 3. Figures on the Number of Associated Farmers, the Number of Private Farmers Collaborating and the Number of Associated Farmers Voluntarily Covered by Old-Age and Disability Insurance

Republics and Provinces	Associated Farmers	Private Farmers Collaborating [With Socialized Sector]	Associated Farmers Covered by Old-Age and Disability Insurance
Bosnia-Hercegovina	35,127	111,830	2,000
Montenegro	1,248	13,576	300
Croatia	39,434	245,431	--
Macedonia	10,340	105,600	--
Slovenia	56,283	4,800	--
Serbia	105,103	343,074	18,355

Table 3 (continued)

<u>Republics and Provinces</u>	<u>Associated Farmers</u>	<u>Private Farmers Collaborating [With Socialized Sector]</u>	<u>Associated Farmers Covered by Old-Age and Disability Insurance</u>
Kosovo	14,724	43,330	--
Vojvodina	<u>26,606</u>	<u>206,679</u>	<u>6,228</u>
SFRY	288,865	1,074,320	26,883*

* Associated farmers voluntarily covered by old-age and disability insurance.

In SR [Socialist Republic] Croatia 218,654 private farmers are covered by old-age and disability insurance, in SR Macedonia 23,054, and in SR Slovenia 71,122 (old-age insurance).

The figures were compiled on the basis of forms for monitoring the formation of self-managing associations and the organization of private farmers in republics and provinces (as of April 1983).

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CSO: 2800/397

IMPORTS OF AGRICULTURAL PRODUCTS

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRERADE, I PLASMANA in Serbo-Croatian No 5, May 84 p 42

[Article: "Import of Agricultural Products"]

[Text] Wheat, oil cake and crushed oil seeds, fish meal, and soybeans are still being imported. There are large expenditures for the import of some agricultural and food products.

Although the total value of imported agricultural and fish products has been declining from year to year, it is, nevertheless, still rather large. The total value of imported agricultural and fish products was 56.259 billion dinars in 1981, the next year 53.921 billion dinars, and last year 40.324 billion dinars. Development of a positive trend is not hard to notice here, which is, however, accompanied by increasing imports of some products which places a great burden on the country's trade balance. According to data compiled by the Federal Bureau of Statistics, the following are some of the more important products imported during the last several years (quantities are in thousands of tons unless otherwise noted, value is in million of dinars calculated from October 1982 when \$1.00 = 63.40 dinars).

TABLE

Product	1980	1981	1982	1983
Wheat				
—quantity	1,347	424	765	348
—value	11,691	4,976	8,722	3,725
Bananas				
—quantity	78	60	11	4.2
—value	1,300	1,965	346	175
Raw coffee				
—quantity	49	48	24	35
—value	7,818	8,647	4,145	4,887

TABLE (cont'd)

Product	1980	1981	1982	1983
Raw cocoa beans				
—quantity	15	15	12	7.1
—value	2,010	2,083	1,542	1,037
Oil cake, crushed oil seed				
—quantity	148	178	215	188
—value	1,822	3,637	3,789	3,375
Fish meal				
—quantity	79	92	72	123
—value	1,876	3,843	2,351	4,404
Steer hides-raw				
—quantity	30	29	23	26
—value	2,010	2,170	2,158	2,611
Soybeans				
—quantity	205	228	206	244
—value	2,543	4,900	3,748	4,317

As can be seen from the table, the quantities of most of the imported products have been declining for the most part, with the largest share of this decline resulting from foreign exchange difficulties and improved sources of domestic supply. Although a certain number of products have been imported at a declining rate, the expenditures for importing them have increased at the same time because of increased prices on the world market, or even because of the lower value of the dinar compared to the dollar.

Comparing the two previous years, one notices that last year the import of wheat gradually declined compared to the year before. The import of bananas has markedly declined, while the import of raw coffee has increased by several thousand tons. The reduced import of cocoa has adversely affected the supply of products of the chocolate industry and the confectionary industry.

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CSO: 2800/362

YUGOSLAVIA

ILLEGAL DEALINGS BY HEAD OF SOCIAL ACCOUNTING SERVICE

[Editorial Report] A brief editorial in the 28 June 1984 issue of BORBA (Belgrade, page 2) reminds readers of the fact that Djemsit Durici, present director general of the SDK (Social Accounting Service) of Yugoslavia and former governor of the National Bank of Kosovo, is still under investigation by the Pristina Opstina Public Prosecutor for having accepted illegal credits and other payments while in his former position. BORBA said that such credits and payments had been made available to "responsible people in the Pristina bank and its Belgrade branch where these were distributed to functionaries and other prominent citizens of the Province under conditions which an ordinary saver can only dream of."

As a result, "the opstina has taken away housing plots in the elite Pristina area of 'Voja Jankovic,' as well as illegal credits from....Djemsit Durici, director general of the SDK of Yugoslavia, Bajrami Tmani, undersecretary of the SUP (Secretariat for Internal Affairs) of Kosovo, and Sulja Medzitu, former secretary for urban affairs."

Until the court rules on these cases, BORBA says one can only ask, "How can public officials remain silent...as if nothing has happened? ...How can public officials whose moral reputation has been called into question not be persuaded to make a public accounting?" It says that even though there is no public mention of some cases, nevertheless, the general public is judging them, and the information media would be wrong to "respond with silence to the silence of functionaries."

The editorial questions in this regard the so-called "official key" or policy according to which official positions are filled on the basis of nationality rather than merit or qualifications. There are apparently "two moralities," it concludes—one for the ordinary person and one for those who have been awarded a position. For instance, the SDK has very strict criteria for hiring workers but functionaries holding office because of the official "key" can "jump over these basic criteria as if they were a joke." Should not the opposite be more normal, it asks: "that the moral reputation of a functionary, a man at the head of the SDK, be free of the slightest trace of doubt and, if any doubt exists, it should be dispelled."

YUGOSLAVIA

BRIEFS

STABILIZATION PROGRAM COMMISSION—A change has taken place in the composition of the FEC (Federal Executive Council) commission on preparing and implementing the stabilization program. Instead of the previous 23 members, the commission now has 13 members. Instead of the presidents of sociopolitical organizations in the federation and presidents of republic and provincial executive councils, the membership includes more scientists and the most responsible people from the commission which prepared the stabilization program. BORBA reported this [personnel change] under the title, "Functionaries Replaced by Experts." Besides FEC President Planinc, the commission members now include: Sergej Kraigher, Kiro Gligorov, Prof Milutin Cirovic, (as new members) Aleksandar Bajt, Dragomir Vojnic, Janez Zemljarić, Radovan Milanovic, Borislav Srebric, Ivo Fabinc, Branislav Soskic, Rikard Stajner, and Mijat Sukovic. Also, the new FEC Operating Procedure sanctions meetings between FEC representatives and representatives of republic and provincial executive councils, including also the presidents. There have been many such meetings recently which have considerably contributed to the final form of FEC recommendations. [Excerpt] [Zagreb DANAS in Serbo-Croatian 19 Jun 84 p 40]

SMALL BUSINESS—The SFRY Assembly council for the social plan and development policy has given its support to the rapid enactment of all measures to advance small business, above all, in the field of customs duties, foreign exchange and tax policy, and simplification of the procedures for obtaining permission for operating in this sphere. The council delegates believe that small business should be included in a more organized way in overall export directions and this time again they repeat the need to open plants which will complement large industrial capacities and large-series production. In 1983 the private sector of small business increased production and services 3.7 percent, while the increase for the socialized sector of small business was 3.3 percent. This rise in production enabled a 4.7 percent increase in private stores and 8.4 percent increase in employees. It is expected that the rate of growth of small business will be 3.6 percent in 1984 and about 4 percent in 1985. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Jul 84 p 1]

LOWER SALARIES IN SERBIA—About 450,000 workers employed in 3,100 basic organizations [OOURs] which have blocked accounts and about 51,000 employed in 230 OOURs in the economy and 834 in 14 OOURs in social sectors in Serbia proper will receive lower salaries in July. Since this could have negative

effects on increasing production for export and on the living standard of employees, the Serbian Assembly executive council has established a special program of 12 measures to be taken by OURSs, republic and opstina organs in July to resolve these problems [of indebtedness] and thus reduce the number of workers whose salaries would be lowered. The council has also sent two letters to the Federal Executive Council--one suggesting the law [on reducing salaries] be changed to make uniform the method of determining personal incomes, of determining losses, and of identifying those OURs which have not met their obligations; and another pointing to the need to accelerate action on agreed-upon measures issued at the federal level. The council suggests that OURs which can cover their losses so that they will not appear on the 6-month balance sheet have the right to pay out full personal incomes; and that opstinas and enterprises (in exceptional cases) which are in a difficult position because of the non-functioning of a foreign exchange market and the unfavorable position in primary distribution [of money] be enabled to pay out 80 percent [instead of 50 percent] of personal incomes. It also proposed that production branches such as nonferrous metals, non-metal materials (excluding construction materials), and construction be exempt from the lower-salary ruling. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Jun 84 p 12]

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